



Central Scotland Valuation Joint Board

Report on the 2007-08 Audit

28 August 2008

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1 Executive Summary

Introduction

We have audited the financial statements of the Central Scotland Valuation Joint Board (the Board) for the year ending 31 March 2008 and examined aspects of the Board's governance arrangements. This report sets out our key findings and discharges our responsibilities under ISA 260 - reporting matters arising from our audit to those charged with governance.

Key Findings

We plan to give an unqualified opinion on the financial statements of the Board for the 2007-08 financial year. There are no material adjusted or unadjusted differences to the accounts following our audit.

The draft financial statements were presented for audit in accordance with the agreed timetable. The accounts and supporting working papers were of a good standard and, as a result, few findings emerged from the audit process.

We note that the Board's accounting policies have not been updated to fully meet the requirements of the Statement of Recommended Practice (SORP) 2007. This did not have an impact on the 2007-08 reported financial results for the Board, however, we recommend that accounting policies are updated for the 2008-09 audit.

Our finding and recommendation is summarised in Appendix A, which accompanies this report.

The Board has fully addressed the three recommendations made in our 2006-07 audit. A summary of the actions taken to address these prior year recommendations is contained within Appendix B.

Status of our Report

This report is part of a continuing dialogue between the Board and Grant Thornton UK LLP and is not, therefore, intended to cover every matter, which came to our attention. Our procedures are designed to support our audit opinion and they cannot be expected to identify all weaknesses and inefficiencies in the Board's systems and work practices.

The report is not intended for use by third parties and we do not accept responsibility for any reliance that third parties may place on it. The report will be submitted to the Accounts Commission for Scotland and will be published on their website at www.audit-scotland.gov.uk.

Acknowledgements

We would like to take this opportunity to thank the staff who have been involved in this review for their assistance and co-operation.

2 Detailed Findings

Introduction

In accordance with the Code of Audit Practice we are required to audit the financial statements of the Board for the year ended 31 March 2008 and examine aspects of the Board's governance arrangements.

We audit the financial statements and give an opinion on whether:

- they present fairly the Board's financial position as at 31 March 2008 in accordance with Part VII of the Local Government (Scotland) Act 1973 (the Act) and the CIPFA 2007 Statement of Recommended Practice (2007 SORP); and
- the Statement on the System of Internal Financial Control is consistent with the information we obtain through our audit.

Matters Arising

We have given an unqualified opinion on the Board's 2007-08 financial statements. Under ISA 260, we are required to communicate certain matters arising from the audit to those charged with governance. The areas considered are summarised in the table below:

Area	Key Messages
Independence and objectivity of the audit team	<p>We are able to confirm our independence and objectivity as auditors and note the following:</p> <ul style="list-style-type: none"> • we are independently appointed by Audit Scotland; • we comply with the Auditing Practices Board's Ethical Standards; and • we have not performed any non Code of Audit Practice (the Code) or advisory work during the year.
Quality of the Accounts	<p>The draft financial statements were presented for audit in accordance with the agreed timetable. The accounts and supporting working papers were of a good standard and, as a result, few adjustments were required following our audit.</p>

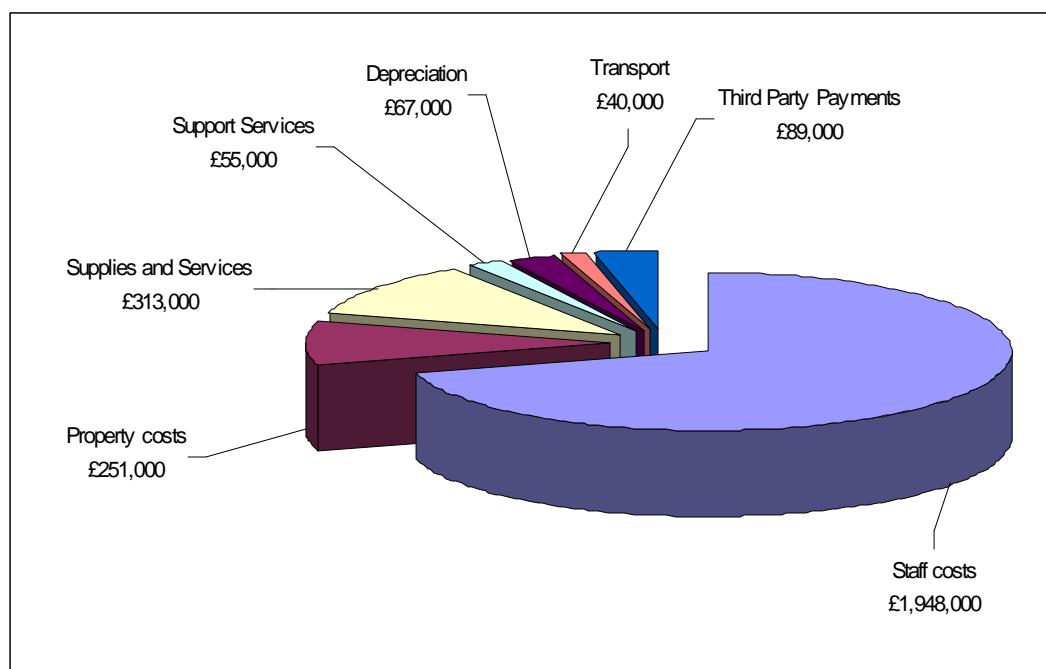
Area	Key Messages
Approach to the audit	<p>Our approach to the audit was set out in our 2007-08 audit plan. We have planned our audit in accordance with International Auditing Standards and the Code. Other key factors to highlight include:</p> <ul style="list-style-type: none"> • we consider the materiality of items in the financial statements both in determining the approach to audit them and in determining the impact of any errors; and • the Board's financial affairs are managed by Clackmannanshire Council and rely on the Council's financial systems for processing, recording and reporting transactions. Grant Thornton UK LLP are also the auditors of Clackmannanshire Council and, during the 2007-08 financial year, we performed audit work on the core financial systems in operation at the Council. Our work did not identify any specific control weaknesses in the financial systems operated by the Council that we need to draw to the Board's attention.
Accounting policies and practices	<p>Management agreed to our request for additional disclosure in respect of financial instruments to reflect the additional requirements of the 2007 SORP.</p> <p>Following this, we consider that the Treasurer has adopted appropriate accounting policies in the areas covered by our testing, in accordance with the 2007 SORP.</p> <p>The Treasurer has considered and confirmed that the Board remains a going concern and confirms this in the Letter of Representation.</p>
Material risks and exposures	The Board has considered and confirmed that it has no material risks and exposures, which should be reflected in the financial statements, and the Treasurer will confirm this in the Letter of Representation.
Audit adjustments and unadjusted errors	<p>We identified several disclosure amendments to improve the presentation of the accounts.</p> <p>There are no adjusted or unadjusted differences to report.</p>

The key matters arising from the audit are:

Financial Position

The Board's Income and Expenditure Account for the year records a deficit of £58,000. Funding from Constituent Authorities in the year was £2.571 million with other income of £87,000. The Board incurred gross operating expenditure of £2.763 million compared to the budget of £2.578 million. Staff costs account for the significant majority of Board expenditure (76%). A more detailed analysis of expenditure is shown in figure one:

Figure One - Analysis of the Board's 2007-08 gross expenditure



The Board's general fund balance at 31 March 2008 was £0.158 million representing 6% of gross expenditure for the year. The Board's balance sheet records net liabilities at 31 March 2008 of £0.822 million. This outcome is caused mainly by the Board's pension liability of £1.111 million which are significant in excess of net assets of £0.289 million.

Pension costs are met as they are incurred from the Board's revenue expenditure on an ongoing basis. The pension liability reflects the full pension costs that will have to be met by the Board over the longer term.

The Board is funded from annual requisitions from constituent authorities under the Valuation Joint Boards (Scotland) Order 1995. Funding requisitions are based on the expenditure forecast prepared for each financial year, which include estimates of likely pension costs for that year. The Board has agreed the level of requisitions for the year ending 31 March 2009 in order to meet its expenditure requirements and the Board, therefore, considers that it has sufficient funding to meet ongoing liabilities.

SORP 2007 Compliance

The 2007 Statement of Recommended Practice (SORP) included several significant changes to the presentation of the 2007-08 accounts. Whilst the Board has overall successfully incorporated these changes, we agreed additional presentational disclosures during the audit, relating primarily to updating accounting policies to ensure that the accounts are fully compliant with the updated SORP.

We recommend that the Board should review its accounts production process to ensure that all SORP changes are incorporated in the financial statements in future.

Action plan point 1

Grant Thornton UK LLP
26 August 2008

3 Appendix A: Action Plan

No	Finding	Risk	Recommendation	Management Response	Implementation date
1	The accounts had not been fully updated to reflect SORP 2007 requirements.	Low	The Board should undertake an annual review of accounting policies to ensure full compliance with SORP requirements.	Agreed	March 2009

4 Appendix B: Follow Up Review

No	Finding	Risk	Recommendation	Management Response	Position at August 2008
1	The 2006-07 financial statements required a number of presentational amendments following the audit.	Medium	A supervisory check of the draft accounts should be undertaken prior to submission for audit.	Agreed.	Addressed A supervisory review of the draft accounts is now undertaken prior to submission to audit.
2	The Board's accounts advert did not comply with the Local Authority (Scotland) Regulations 1985 as it did not specify a 21 day period for objections to be raised by members of the public.	High	The Board should ensure that future accounts adverts comply with relevant Regulations.	Agreed The advert ran from Monday 13th till Friday 31st of August, but to fully comply should have been held over till Sunday 2nd September.	Addressed We noted however that the 2007-08 advert included an error relating to audit contact details. This was addressed, and the advert subsequently reissued.

No	Finding	Risk	Recommendation	Management Response	Position at August 2008
3	The Board is treated as a separate cost centre within Clackmannanshire Council's ledger rather than a separate entity.	Medium	The Board should undertake a review of its financial management arrangements.	Agreed, but only in part as separate arrangements would lead to higher administration costs.	Addressed We are satisfied following review that the arrangements in place are appropriate for the Board.



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