

# Renfrewshire Valuation Joint Board

**Report to Members and the Controller of Audit on the 2007/08  
Audit**



**November 2008**



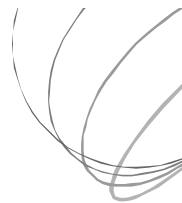
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# Key Messages

In 2007/08, we audited the financial statements and looked at aspects of governance within the Renfrewshire Valuation Joint Board. This report sets out our main findings.

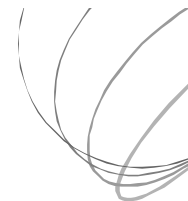
Overall, we found the financial stewardship of the Renfrewshire Valuation Joint Board (RVJB) during the year to be satisfactory. The main conclusions and outcomes from the audit are highlighted below:

- An unqualified opinion has been issued on the financial statements for 2007/08.
- Final accounts preparation procedures and working papers were of a good standard and this enabled the audit to progress smoothly.
- The RVJB has a sound corporate governance framework.

Renfrewshire Council provide internal audit services to the RVJB. The Statement on the System of Internal Financial Control for the year 2007/08, signed by the Treasurer and Director of the RVJB, concluded that the RVJB has in place a sound system of internal financial control with no identified material weaknesses. Our audit work resulted in findings consistent with that opinion.

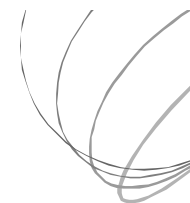


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# Introduction

1. The members and officers of the RVJB are responsible for the management and governance of the organisation. As external auditors, we review and report on the arrangements in place and seek to gain assurance that:
  - The financial statements have been prepared in accordance with statutory requirements and that proper accounting practices have been observed.
  - The RVJB's system of recording and processing transactions provides an adequate basis for the preparation of the financial statements and the effective management of assets and interests.
  - The RVJB has adequate corporate governance arrangements which reflect the three fundamental principles of openness, integrity and accountability.
  - The systems of internal control provide an appropriate means of preventing or detecting material mis-statement, error, fraud or corruption.
  - The RVJB has proper arrangements for securing best value in its use of resources.
  
2. This report summarises the most significant issues arising from our work during 2007/08.



# Financial statements

3. In this section we summarise key outcomes from our audit of the RVJB's financial statements for 2007/08.

## Auditor's report

4. We have given an unqualified opinion on the financial statements of the Renfrewshire Valuation Joint Board for 2007/08, concluding that the financial statements:
  - present fairly, in accordance with relevant legal and regulatory requirements and the 2007 SORP, the financial position of the Joint Board as at 31 March 2008 and its income and expenditure for the year then ended
  - have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

## Financial position

5. The RVJB's balance sheet as at 31 March 2008 reflected net assets of £0.759 million an increase of £0.976 million over the previous year. The reason for this increase in net assets was the balance of the actuarially assessed assets retained in the Strathclyde Pension Fund. The value of this asset is heavily dependant on stock market valuations which are currently subject to severe fluctuations. Operationally, after adjustment for FRS 17 pension cost adjustments, the RVJB generated a surplus of £0.035 million over the year compared to a budgeted deficit of £0.024 million. The primary factors affecting this surplus was an underspend on staff costs due to the turnover of more experienced staff, an underspend on projected costs associated with elections and additional interest associated with higher than anticipated cash balances. Offsetting these savings were additional costs on supplies services. Cumulative revenue reserves due to member councils as at 31 March 2008 totalled £0.261 million.

## Account preparation and submission

6. RVJB's financial statements were submitted to the Controller of Audit by the deadline of 30 June. Final accounts preparation procedures and working papers were generally of a good standard with only minor changes being required to the financial statements presented for audit. Local authorities in Scotland are required to follow the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice (the 'SORP'). The financial statements of the RVJB comply with the provisions of the SORP as it applies to the nature of the RVJB's activities.



7. Audited accounts were finalised prior to the target date of 31 August 2008 and are now available for presentation to the Joint Board and for publication. The financial statements are an essential means by which the Joint Board accounts for its stewardship of the resources made available to it and its financial performance in the use of those resources.

## **Financial Outlook – pension liabilities**

8. Financial planning and accounting for the costs of pensions presents a difficult challenge. The amounts involved are large, the timescale is long, the estimation process is complex and involves many areas of uncertainty that are the subject of assumptions. In accounting for pensions, Financial Reporting Standard 17 (Retirement of Benefits) is based on the principle that an organisation should account for retirement benefits at the point at which it commits to paying them, even if the actual payment will be made years into the future. This requirement results in fluctuating levels of future assets or liabilities being recognised on the face of annual accounts. As noted in paragraph 5 above, the asset of £0.759 million recorded as at 31 March 2008 is sensitive to stock market movements and actuarial assumptions agreed from time to time..
9. The RVJB participates in the Local Government Superannuation Scheme (Strathclyde Superannuation Fund), a defined benefits scheme administered by Glasgow City Council. Note 10 to the Financial Statements provides details of the relationship between the Joint Board and its pension scheme.
10. A full actuarial valuation of the fund is undertaken every three years by an independent actuary, with the results of the latest valuation at 31 March 2008, expected in the next four to six months. This valuation determines future contribution rates. As at 31 March 2008, the funding position for the RVJB employees was 96.8 percent. This percentage is sensitive to factors such as the volatile stock market and increasing life expectancy with the result that employer contribution levels are estimated to be set at 280 percent of employee rates in 2008/09 with 15 percent increases scheduled over the following two years. These contribution rates will be subject to review at the next full scheme valuation. This review will also assess the impact of recent changes to the Local Government Pension Scheme regulations are expected to release some future financial benefits, while providing additional flexibility to future pensioners.

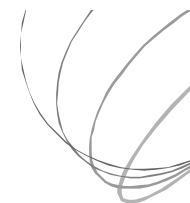
## **Legality**

11. Each year we request written confirmation from the Treasurer that the RVJB's financial transactions accord with relevant legislation and regulations. Significant legal requirements are also included in audit programmes and checklists. The Treasurer has confirmed that, to the best of her knowledge and belief and having made appropriate enquiries of members and officials of the RVJB, the financial



transactions of the Joint Board were in accordance with the relevant legislation and regulations governing its activities.





# Corporate governance

12. In this section we comment on key aspects of the Joint Board's governance arrangements during 2007/08.

## Overview of arrangements in 2007/08

13. Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviours at the upper levels of the organisation. The RVJB has an IT security policy in place and is currently developing an Information Security Policy to further enhance security arrangements. In previous years, we have concluded that the Board has many aspects of a sound corporate governance framework in place and have reached the same conclusion this year. The RVJB does not have any overarching risk management strategy or a risk register in place at present. We have been assured however that topic specific risk assessments are carried as required.

## Systems of internal control

14. Internal audit plays a key role in the RVJB's governance arrangements, providing an independent appraisal service to management by reviewing and evaluating the effectiveness of the internal control system. Internal audit's programme of work is based on a five year cyclic approach based on an assessment of risk. During 2007/08 an investigation was carried out of the Board's valuation system with only minor recommendations being made.
15. The RVJB utilised Renfrewshire Council's main financial systems for its operations. These systems have been reviewed as part of our audit of Renfrewshire Council and have been found to have no material weaknesses.

## Prevention and detection of fraud and irregularities

16. The RVJB has appropriate arrangements for the prevention and detection of fraud and corruption. These arrangements include a strategy for the prevention and detection of fraud including clear lines of responsibility for investigations.