

Ayrshire Valuation Joint Board

**Report to Members and the Controller of Audit
on the 2008/09 Audit**

September 2009



 **AUDIT SCOTLAND**

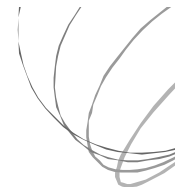


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Key Messages

In 2008/09 we looked at the key strategic and financial risks faced by Ayrshire Valuation Joint Board (the board). We audited the financial statements and looked at aspects of performance and governance.

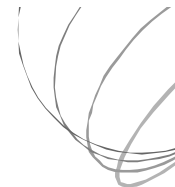
We have given an unqualified opinion on the financial statements of Ayrshire Valuation Joint Board.

Outlook

In the course of our work we identified some of the strategic risks that the board needs to manage in delivering its corporate objectives and priorities. These have been summarised below:

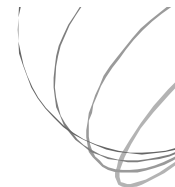
- The change in accounting policy adopted in 2008/09 has resulted in the establishment of a general fund balance in the financial statements. It is now necessary that the board agree and adopt an appropriate reserves strategy.
- Progress on single status continues to be made in conjunction with South Ayrshire Council. Further work is required in this area to fully implement single status.
- The board has failed to achieve some of its key performance indicators (KPIs) for 2008/09. This has mainly been as a result of the work done on the 2010 revaluation. The anticipated increased level of appeals expected as a result of the revaluation may result in a further fall in performance in the future.
- Challenges facing the board in the coming years continue to include demonstrating the board's response to the efficient government agenda and demonstrating best value.

The co-operation and assistance given to us by board members and staff is gratefully acknowledged.



Introduction

1. This report is the summary of our findings arising from the 2008/09 audit of Ayrshire Valuation Joint Board (the board). Findings are set out in four sections: financial statements; use of resources; governance and accountability; and performance management and improvement. Within each of these sections we have also provided an outlook setting out key issues and concerns facing the board going forward, where applicable. Appendix A provides details of our reports issued during 2008/09.
2. Appendix B is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps set out in the column headed '*Planned Management Action*'. We do not expect all risks to be eliminated or even minimised. What we are expecting to see is that the board understands its risks and has in place mechanisms to manage them. Members should ensure that they are satisfied with the proposed management action and have a mechanism in place to be duly assured that the proposed action has been implemented.
3. This report is addressed to board members and the controller of audit. It will be published on our website after consideration by the board.



Financial statements

Introduction

4. In this section we summarise key outcomes from our audit of the board's financial statements for 2008/09, comment on the significant accounting issues faced and provide an outlook on future financial reporting issues.

Audit Opinion

5. We have given an unqualified opinion that the financial statements of the board for 2008/09 give a true and fair view of the financial position and expenditure and income of the board for the year. We also certify that the accounts have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements.
6. We were satisfied with disclosures made in the annual statement of internal financial control and the adequacy of the process put in place by the board to obtain assurances on systems of control.
7. The board's unaudited financial statements were submitted to the controller of audit by the deadline of 30 June 2009. The final accounts preparation process and working papers were very good and enabled the audit to progress smoothly.
8. The accounts were certified by the target date of 30 September 2009 and are now available for presentation to members and publication. The financial statements are an essential means by which the board accounts for its stewardship of the resources made available to it and its financial performance in the use of those resources.

Accounting issues

9. 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). No major changes were introduced by the 2008 SORP. We were satisfied that the board prepared the accounts in accordance with the 2008 SORP.
10. At the end of the 2007/08 audit, the guidance which had previously prevented valuation boards from having a general fund balance was amended. As a result the board now has some flexibility in deciding whether to carry forward a surplus or deficit at the year end.
11. The board took the decision to make this change to their accounting policy and the 2008/09 accounts were presented in line with the amended guidance.



12. As a result of audit findings, some adjustments were required to the presentation of the financial statements to fully comply with the change in accounting policy.
13. The board has adjusted the financial statements to reflect audit findings. As is normal practice, an immaterial unadjusted error was reported to the board on 22 September 2009.

Legality

14. Through our planned audit work we consider the legality of the board's financial transactions. In addition the Treasurer confirmed that, to the best of her knowledge and belief, the financial transactions of the board were in accordance with relevant legislation and regulations. There are no additional legality issues arising from our audit which require to be brought to members' attention.

Fixed Assets

15. There continues to be no progress made in the transfer of the title deeds for the board's offices in Wellington Square from the former Strathclyde Regional Council to the board. This work remains to be resolved by the South Ayrshire Council estates department.

Key Risk 1

Financial reporting outlook

IFRS adoption

16. Local government will move from UK Generally Accepted Accounting Principles to International Financial Reporting Standards (IFRS) with effect from 2010/11. Local government has already adopted some aspects of IFRS and we expect the transition to be fairly smooth. But it is important that the board starts the transition period in 2009/10. A comparative balance sheet as at 1 April 2009 will be required.

Key risk 2



Use of resources

Financial results

17. The board's financial position as at 31 March 2009 showed a deficit of £45,496 in the income and expenditure account for the year. After taking account of statutory adjustments there was an accumulated surplus of £56,799 at the year end which will be utilised in future years.
18. The board have already committed to using £18,317 to meet expenditure in 2009/10 and £30,000 to address the costs of implementing single status. Proposals for the use of the remaining £8,482 will be considered by the board when preparing the 2010/11 revenue budget.

Budgetary Control

19. Budgetary control reports are presented to members at each of the board meetings. Reports identify any variances from budget and provide an explanation as to why the variance has occurred.

Single Status

20. Officers have confirmed that to date there have been no claims for equal pay issues. As there are no equal pay issues there will be no requirement to backdate the implementation of single status. The board have already agreed to provide £30,000 of the accumulated surplus to meet the costs of implementing single status.

Key Risk 3

Outlook

Reserves and balances

21. As a result of the changes outlined above, the financial statements will now have a general fund. There is now a requirement for the board to establish and approve a reserves strategy which will outline the appropriate level for reserves to be maintained at and the proper utilisation of those reserves.

Key Risk 4



Governance and accountability

Introduction

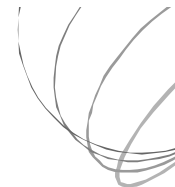
22. An effective board is committed to high standards of probity and can demonstrate high standards of governance and accountability. An effective board is also committed to public performance reporting as a key element of public accountability.

Public performance reporting

23. The board produces an annual performance report which is published on the board's website and is available in hard copies in public libraries and council offices. This report shows progress made in the performance of the board's main functions during the year.

Outlook

24. No significant issues or concerns have been identified.



Performance management and improvement

Introduction

25. In this section we summarise how the board measures and reports its performance.

Performance management

26. The board is required under the Local Government Scotland Act 2003 to report on the performance of its functions to the public.

27. The main way the board measures performance is through the key performance indicators (KPIs) in the areas of non-domestic valuation roll amendments and appeals, and new council tax entries. These are reported to the board on a quarterly basis.

28. An annual performance report is also presented to the board and is made available to the public.

Equality and Diversity

29. The board is aiming to ensure that all of its activities comply with best practice in the field of equality and diversity. The board prepares an annual disability equality and gender equality report and action plan to summarise progress made during the year and to identify any required actions.

Efficiency

30. The board does not currently have any specific efficiency targets as part of the government's efficiency agenda. However the board does actively seek to reduce expenditure where possible in setting its annual budget figures.

Key Risk 5

Risk Management

31. Risk is the threat that an event, action or inaction will adversely affect an organisation's ability to achieve its objectives. Risk management is the process of identifying, evaluating and controlling risks.

32. The board has a risk register in place which was updated in March 2009 and was presented to the board.



Outlook

Key Performance Indicators

33. The increase in workload as a result of the requirement to complete the non domestic rates (NDR) revaluation by the end of August 2009 has had a negative effect on the performance indicators. The principal measure of performance is the number of valuation amendments undertaken in less than 3 months. In 2008/09 this fell to 64.4%, which is below the target of 75%.
34. In 2009/10, as a result of the economic climate, there are likely to be a greater number of appeals resulting from the revaluation. This will result in an increased workload for staff and may further affect performance.

Key risk 6



Appendix A

External audit reports and audit opinions issued for 2008/09

Title of report or opinion	Date of issue	Date presented to Audit Committee
Annual audit plan	02/02/2009	24/03/2009
Report on financial statements to those charged with governance	01/09/2009	22/09/2009
Audit opinion on the 2008/09 financial statements	22/09/2009	22/09/2009



Appendix B: Action Plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	15	<p>Fixed Assets</p> <p>The ongoing issue of transferring the title deeds for the property at 9 Wellington Square has not yet been resolved.</p> <p>Risk</p> <p><i>There is a risk that the board is unable to demonstrate legal ownership of its main asset.</i></p>	The title deeds will be transferred once issues around access have been resolved.	Estates Manager (South Ayrshire Council)	31 March 2010
2	16	<p>IFRS Adoption</p> <p>Local government bodies will be required to adopt IFRS for 2010/11. A comparative opening balance sheet will be required for 1 April 2009.</p> <p>Risk</p> <p><i>There is a risk that the board has made inadequate preparation for adopting IFRS and this could result in a qualified audit opinion.</i></p>	South Ayrshire Council is working with PWC/ IPF to address the requirements of IFRS. This work will inform the preparation required by Ayrshire Valuation Joint Board.	Treasurer	March 2010
3	20	<p>Single status</p> <p>Progress on single status is being made in conjunction with South Ayrshire Council.</p> <p>Risk:</p> <p><i>The eventual pay bill may increase once single status is implemented.</i></p> <p><i>Staff morale may be affected by delays in implementation.</i></p>	Board officers are working with officers from South Ayrshire Council's HR and Organisational Development to ensure that single status can be implemented with effect from 1 April 2010.	Treasurer/ Head of HR and Organisational Development (South Ayrshire Council)/ Assessor	April 2010



Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
4	21	<p>Reserves Strategy</p> <p>It is now necessary that the board develop a reserves strategy given the establishment of a general fund balance.</p> <p>Risk</p> <p><i>There is a risk that the board holds an inappropriate level of funds for unexpected events.</i></p>	A reserves strategy will be considered as part of the 2010/11 budget setting process.	Treasurer	January 2010
5	30	<p>Efficient Government & Best Value</p> <p>The board faces challenges in demonstrating its response to the efficient government agenda and best value.</p> <p>Risk</p> <p><i>The board is not able to demonstrate that it is achieving best value.</i></p>	Assessor and treasurer to prepare a report in line with the budget for 2010/11.	Assessor/ Treasurer	January 2010
6	34	<p>2010 Revaluation</p> <p>The increase in workload due to the requirement to complete the NDR revaluation by the end of August 2009 has had a negative effect on performance indicators.</p> <p>In 2009/10, as a result of the economic climate, there are likely to be a greater number of appeals resulting from the revaluation.</p> <p>Risk</p> <p><i>Performance against KPIs may continue to be adversely affected.</i></p>	Officers will continue to monitor the performance in this area and advise the board accordingly.	Assessor	ongoing