

# Renfrewshire Valuation Joint Board

Report to Members and the Controller of Audit  
on the 2009/10 Audit

October 2010



 AUDIT SCOTLAND



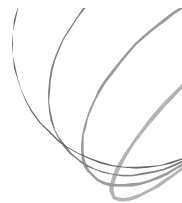
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# Key Messages

In 2009/10, we audited the financial statements and looked at aspects of governance within the Renfrewshire Valuation Joint Board. This report sets out our main findings.

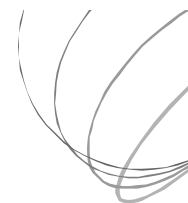
Overall, we found the financial stewardship of the Renfrewshire Valuation Joint Board (RVJB) during the year to be satisfactory. The main conclusions and outcomes from the audit are highlighted below:

- An unqualified opinion has been issued on the financial statements for 2009/10.
- 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 2009/10, 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.

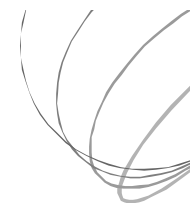


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# Introduction

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. In 2009/10 we also undertook a review of the revaluation of non-domestic properties carried out by the joint board during the year.
3. This report summarises the most significant issues arising from our work during 2009/10.



# Financial statements

4. In this section we summarise key outcomes from our audit of the RVJB's financial statements for 2009/10.

## Auditor's report

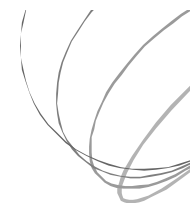
5. We have given an unqualified opinion on the financial statements of the Renfrewshire Valuation Joint Board for 2009/10, concluding that the financial statements:
  - give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2009 SORP, of the financial position of the joint board as at 31 March 2010 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

6. The RVJB's balance sheet as at 31 March 2010 reflected net liabilities of £2,740,000, a decrease of £2,165,000 over the previous year wholly due to movement in the pension liability during 2009/10. This deterioration is principally due to a reduction in discount rates applied to future liabilities partially offset by a recovery of asset values in the stock market. As the Explanatory Foreword in the financial statements notes, this assessment is a snapshot of the position as at the year end. The host council (Renfrewshire) has received advice from the appointed actuaries that asset holdings and planned increases in employers' contributions provide sufficient security and income to meet future pension liabilities. Therefore in our opinion, it is reasonable that the accounts are prepared on a going concern basis.
7. In 2009/10 the RVJB generated a deficit of £43,820 over the year compared to a budgeted deficit of £46,000. Cumulative revenue reserves due to member councils (shown as creditor balances in the accounts) as at 31 March 2010 totalled £212,000 of which £196,000 was unallocated.

## Accounts preparation and submission

8. 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. Only minor changes associated with incorrect accounting for accruals and incorrect presentation and disclosure of lease arrangements were required to the financial statements presented for audit. Local authorities and joint boards 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.

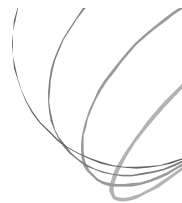
9. The audited accounts were certified on 23 September 2010 and are now available for presentation to the joint board and for publication. The financial statements are an essential means by which the joint board accounts for its stewardship of the resources made available to it and its financial performance in the use of those resources.

## **Financial outlook**

10. The financial outlook for the RVJB is challenging given the economic pressures currently facing all public bodies. The budget set for 2010/11 recognises this and even allowing for £48,000 of efficiency savings, still requires a draw-down of £78,000 on available balances. In the covering report to the 2010/11 revenue estimates the Treasurer highlights that if similar draw-downs are required in the years 2011/12 to 2013/14 then reserves will be exhausted by the end of this period. Therefore the level of balances held by the joint board shall require to be reviewed over the period to ensure that they remain at a prudent level. It is anticipated that further ongoing efficiency savings will be required to be achieved over this period.
11. The latest budget monitoring report highlights an under-spend of £18,000 for the period to late July. Higher than anticipated staffing turnover rates are cited as the main reason for this performance.
12. As at 31 March 2010, a pension liability of £2,740,000 existed for RVJB staff. The future extent of pension assets or liabilities will depend largely on the future investment performance of the Strathclyde Pension Fund which should be monitored by member authorities.

## **IFRS Preparation**

13. In 2010/11 all local authority bodies in Scotland (including RVJB) will be required to prepare annual financial statements in accordance with International Financial Reporting Standards (IFRS). In order to prepare for this change, in 2009/10 local authority bodies have been required to prepare restated balance sheets as at 1 April 2009 (in order to provide prior year comparatives to 2010/11 accounts). During 2009/10 we undertook a review of the RVJB’s restated balance sheet as at 1 April 2009 which we found to be satisfactory following some minor amendments.



## Legality

14. 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

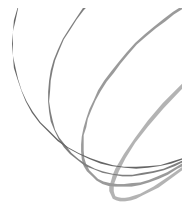
15. In this section we comment on key aspects of the joint board's governance arrangements during 2009/10.

## Overview of arrangements in 2009/10

16. Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviours at the upper levels of the organisation. 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.
17. 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 out as required. We have also been informed that Renfrewshire Council's Risk Manager has offered support to the joint board regarding further developments of the RVJB risk management processes. The RVJB has an IT security policy in place and we understand has developed an Information Security Policy to further enhance security arrangements.

## Systems of internal control

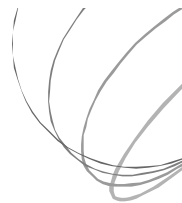
18. Internal audit plays a key role in the RVJB's governance arrangements, providing an independent appraisal service to management by reviewing and evaluating the effectiveness of the internal control system. Internal audit's programme of work is based on a five year cyclical approach based on an assessment of risk. During 2009/10, investigations were carried out into:
  - Computer audit review of new server room
  - Systems audit of budget monitoring
  - Follow up of previous audit work.
19. The results of these audits were generally satisfactory with no major recommendations being required. Internal audit also reviewed Renfrewshire Council's payroll, creditors, main financial (ledger) and debt management systems (which are all used by the joint board) and found these to satisfactory. Further work is planned by internal audit in 2010/11 including work on valuation and mail-flow systems, update of financial regulations and further follow up work.
20. We have also reviewed Renfrewshire Council's main financial systems as part of our annual work and our findings are consistent with those of internal audit with only a small number of minor issues



highlighted in a management letter issued to the Director of Finance and Corporate Services in June 2010. We have also undertaken an overview of internal audit (as reported in a management letter in January 2010) and found that the section has appropriate resources, documentation standards and reporting procedures to allow us to review and place reliance on aspects of their work during the year.

## **Relationship with host authority**

21. Renfrewshire Council is the host authority for the joint board, and as such provides various support services (such as finance, personnel, legal and administration). The host authority in turn charges the joint board for the provision of these services. In 2009/10 these costs amounted to £88,127. From discussion with officers we are aware that a formalised service level agreement (SLA) exists for some of these services (legal and administration) but not for others such as finance, although we understand there has been some work performed in this area. Going forward, formalised SLAs should be in place to cover all aspects of service provision from the host authority. Consideration should be given to developing one SLA covering all aspects of service provision rather than several different ones.



# Performance

## Overview of performance reviews undertaken in 2009/10

22. As mentioned previously, during 2009/10 we undertook a review of the revaluation exercise performed by the joint board on all non-domestic properties. This review was undertaken in spring 2010 (by which time the bulk of the exercise had been completed) and involved discussion with senior officers to establish the methods employed in the process. The review also involved testing a sample of 30 properties split evenly between the three constituent authorities.
23. From this work we were able to conclude that a robust control environment is in place which should ensure that the valuations applied to properties can be adequately supported and that there was appropriate review by senior officers. Our testing did find some minor issues which have not been reflected here but were detailed in a management letter which was passed to the Assessor in June 2010.
24. The Performance Report for 2009/10 highlighted that 99.2% of new houses in the area were added to the valuation list within 3 months which exceeds the 95% target. The average number of days to add a new house to the list was 29.32 days as compared to 33.81 the previous year. In terms of non-domestic properties, 91.5% of statutory amendments to the valuation roll were completed within 3 months against a target of 80%. It is therefore evident from these results that the efficiency of the organisation remained high during the period when the non-domestic revaluation was being undertaken.
25. The co-operation and assistance given to us by the joint board members, officers and staff is gratefully acknowledged.