

Lanarkshire Valuation Joint Board

Annual Report to Members and the Controller of Audit

Contents

Section	Page
Executive Commentary	1
1. Introduction	2
2. Independent Auditors' Report and Audit Process	3
3. Governance and Internal Financial Control.....	5
4. Summary of Future Business Issues.....	7
Appendix 1 – Financial Performance 2008/09	8

The principal objective of our audit procedures is to enable us to express our opinion, in line with the requirements of the Audit Scotland Code of Audit Practice, on the financial statements as a whole. Our audit opinion does not guarantee that the financial statements are free from misstatement. Any oral comments made in discussions with you relating to this report are not intended to have any greater significance than explanations of matters contained in the report. Any oral comments that we make do not constitute oral advice unless we confirm any such advice formally in writing. The matters raised in this and other reports that flow from the audit are only those which have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising, and in particular we cannot be held responsible for reporting all risks at Lanarkshire Valuation Joint Board or all internal control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

Executive Commentary

Our overall responsibility as the external auditor of Lanarkshire Valuation Joint Board ("the Board) is to undertake our audit in accordance with the principles contained in the Audit Scotland Code of Audit Practice.

Independent Auditors' report and audit process (Section 2)

We are pleased to report that our opinion on the financial statements for the year ended 31 March 2009 is **unqualified**.

The financial statements and supporting schedules were presented to us for audit within the agreed timetable. The quality of supporting working papers provided and internal review process undertaken by management were of a good standard.

Our audit of the financial statements identified a number of minor disclosure and financial adjustments which have been amended by Management in the final financial statements.

During 2008/09 total income was received of £3.733 million of which £3.602 million was received from precepts from North Lanarkshire Council and South Lanarkshire Council.

The income and expenditure account for 2008/09 is shown in Appendix 1 of this report for information.

Governance and Internal Financial Control (Section 3)

The Board utilises the key financial systems in place at South Lanarkshire Council in particular general ledger, payroll, accounts payable and accounts receivable. Therefore appropriate systems audit work has been undertaken as part of our 2008/09 audit of South Lanarkshire Council.

Business Issues (Section 4)

Within Section 4 of our report we have outlined a number of potential business issues and challenges likely to be faced by the Board going forward: in particular in respect of the Board's Financial Position and the 2010 revaluation exercise.

PricewaterhouseCoopers LLP
141 Bothwell Street
Glasgow
G2 7EQ

12 October 2009

1. Introduction

Purpose of this report

- 1.01 The Annual Report which follows is primarily designed to direct your attention to matters of significance that have arisen out of the 2008/09 audit process. The report is not only addressed to Members, but it is also addressed to the Controller of Audit who appoints us as your external auditor.

Scope of the Audit

- 1.02 Our overall responsibility as external auditor of Lanarkshire Valuation Joint Board ('the Board') is to undertake our audit in accordance with the principles contained in the Code of Audit Practice issued by Audit Scotland in March 2007.
- 1.03 In this regard, the Code sets out the need for public sector audits to be planned and undertaken from a wider perspective than in the private sector involving not only assurance on the financial statements but also consideration of areas such as regularity, propriety, performance and the use of resources.
- 1.04 It also sets out the need to recognise that the overall audit process is a co-ordinated approach involving the "appointed auditor", the Controller of Audit and other auditors such as Audit Scotland's Local Government Public Reporting Group and the Best Value Team.

- 1.05 Our audit for 2008/09 has been planned and conducted throughout the year to take into account these wider responsibilities and our obligations set out in the Code of Practice.

- 1.06 Under the requirements of the International Standard on Auditing (UK and Ireland) ('ISA') 260: "*Communication of audit matters to those charged with governance*", we are required to communicate audit matters arising from the audit of the financial statements to those charged with governance of an entity.

- 1.07 This Annual Report to Members discharges our requirements under ISA 260.

Acknowledgment

- 1.08 We would like to formally extend our thanks to all South Lanarkshire Council Officers for the assistance they have given us during the audit process.

2. Independent Auditors' Report and Audit Process

Our Audit Opinion

- 2.01 The Local Government (Scotland) Act 1973 requires that, following the completion of an audit, the auditors shall place on the abstract of accounts a certificate which sets out the basis on which they have formed their audit opinion. Our opinion on the accounts states that the financial statements:
- give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP, of the financial position of Lanarkshire Valuation Joint Board as at 31 March 2009 and the income and expenditure for the year then ended;
 - have been properly prepared in accordance with the Local Government (Scotland) Act 1973.
- 2.02 Our opinion for the year ended 31 March 2009, as set out in the format presented by the Accounts Commission, is unqualified.

Audit Process

- 2.03 The financial statements for the Board have been prepared in accordance with the accounting requirements set out in the Code of Practice on local authority Accounting in the UK 2008 – A Statement of Recommended Practice (“SORP”).

- 2.04 The accounts were approved by the Treasurer for issue on 9 June 2009 and presented to Audit Scotland by 30 June 2009. The financial statements and supporting schedules were presented to us for audit within the agreed timetable. The quality of supporting working papers provided and internal review process undertaken by management were of a good standard. Overall we believe an efficient audit process was achieved and an effective working relationship exists with the South Lanarkshire Council finance staff.

Adjustment to the draft Financial Statements

- 2.05 Our audit of the financial statements identified a number of minor disclosure and financial adjustments which have now been amended by Management in the financial statements.
- 2.06 Under international auditing standard (“ISA”) 260 – “Communication of audit matters to those charged with governance” we are required to report all unadjusted errors identified during the course of our audit to Members of the Lanarkshire Valuation Joint Board, in their governance role. We are pleased to report that all adjustments proposed have been agreed with management and are reflected in the financial statements.

2008/09 Financial Position

- 2.07 During 2008/09 total income was received of £3.733 million of which £3.602 million was received from precepts from North Lanarkshire Council and South Lanarkshire Council.
- 2.08 During the year, additional expenditure was incurred in respect of administration costs due to an increase in the number of appeals against property band valuations by home owners. Therefore, in order to achieve a financial breakeven position, the Council transferred £0.130 million from the Council's loan fund to fund the additional expenditure.
- 2.09 The Income and Expenditure account for 2008/09 is set out in Appendix A for information.

3. Governance and Internal Financial Control

- 3.01 It is part of management's overall responsibility to design and maintain an appropriate system of internal controls to provide reasonable assurance that the accounting systems provide timely, accurate and reliable financial information and to safeguard Lanarkshire Valuation Joint Board's assets.
- 3.02 As auditors, we obtain a sufficient understanding of internal controls to plan the audit. The understanding includes knowledge about the design of policies and procedures and whether they have been implemented, but does not necessarily extend to evaluating the operating effectiveness of all such policies and procedures. We only evaluate, and test, those internal controls on which we plan to rely on during our audit and which are required in relation to our Code of Audit Practice responsibilities. Accordingly, an audit would not usually identify all matters of interest to management in discharging its responsibilities.

Financial Controls

- 3.03 The Board utilises the key financial systems in place at South Lanarkshire Council in particular general ledger, payroll, accounts payable and accounts receivable. Therefore appropriate systems audit work has been undertaken as part of our 2008/09 audit of South Lanarkshire Council. During the course of our interim controls work we noted a number of exceptions in respect of the Council's financial systems, which have been discussed and agreed with management. Agreed actions are reflected in a detailed action plan monitored by South Lanarkshire Council officers.

Internal Audit

- 3.04 Internal audit services for the Board are provided by South Lanarkshire Council through a service level agreement. During the year internal audit undertook work in accordance with the Internal Audit Plan which was reviewed by us.
- 3.05 The Board's Internal Audit Annual Report was presented to the Board on 2 June 2009. It concluded that reasonable assurance could be placed on the adequacy and effectiveness of the Board's internal control system.

4. Summary of Future Business Issues

- 4.01 In this section we have summarised certain of the future business issues and challenges potentially facing the Board during 2009/10 and beyond, as discussed with management during the year and formally discussed and reported to the Board during the 2008/09 financial year.

Future Financial Position

- 4.02 As set out in statute the Board is unable to retain any financial surpluses achieved in year. Therefore, all money needs to be spent by the Board during the year or returned to the two Local Authorities – South Lanarkshire Council and North Lanarkshire Council. As a result the Board is unable to retain any resources for contingency to meet unplanned expenditure or to fund specific longer term projects. The depletion of the historic surplus now means the Board has very little flexibility should it spend over budget.
- 4.03 A potential reduction on the income received from the two local authorities would result in additional financial pressures for the Board and the need to identify and deliver additional efficiency savings. As the two Councils are likely to receive less funding from the Scottish Government in future years and will face increased pressure to identify significant efficiency savings, financial pressures and the need to realise efficiency savings are likely to be passed on to the Board. The Constituent Authorities have increased precepts by 3% in recent years, an increase that may not continue in future years.

2010 Revaluation Exercise

- 4.04 Non-domestic properties are to be subject to revaluation ever five years under the Valuation and Rating Scotland Act 1956 Section 9 (1). For 2010 this involved revaluating over 18,000 non-domestic properties. As well as the increased costs associated with processing the revaluations this exercise may also result in additional appeals against property valuations. Appeals on domestic properties during 2008/09 resulted in additional costs to the Board.

Appendix 1 – Financial Performance 2008/09

Income and Expenditure Account	2008/09 £000's	2007/08 £000's
Employee costs	2,369	2,455
Property Costs	339	334
Supplies and Services	186	169
Administration Costs	724	395
Payments to Other Bodies	8	3
Financing Charges	16	26
Total Expenditure	3,642	3,382
Income	(3,733)	(3,496)
Net Cost/(Return) of Services	(91)	(114)
Return on Pension Assets	(661)	(652)
Interest Cost on Pensions	603	549
Net Operating Expenditure (Deficit/(Surplus))	(149)	(217)

Statement on the Total Movement on the General Fund Balance

Net Additional Amount Required by Statutory and Non-Statutory Practices to be Debited or (Credited) to the General Fund for Year	149	217
General Fund Balance Carried Forward	0	0

Total expenditure of £3.642 million for 2008/09 was in accordance with the budget agreed at the start of the year.

Employee costs were less than in previous years due to the organisational restructure that took place during 2007/08 and 2008/09, which resulted in certain staff vacancies. Administration costs were significantly more in 2008/09. An external publicity campaign was carried out during the year encouraging home owners to challenge their property valuation band. This resulted in a significant increase in the number of appeals during 2008/09.

Income received of £3.733 million was primarily precepts received from North Lanarkshire Council and South Lanarkshire Council. The precepts accounted for 3.602 million or 96% of the income.

In accordance with the statutory powers of Valuation Boards, no balance is carried forward into 2009/10.

Freedom of Information Act (Scotland) 2002

In the event that, pursuant to a request which the institution has received under the Freedom of Information Act (Scotland) 2002 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), South Lanarkshire Council is required to disclose any information contained in this report, it will notify PwC promptly and will consult with PwC prior to disclosing such report. South Lanarkshire Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such report. If, following consultation with PwC, South Lanarkshire Council discloses any of this report or any part thereof; it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

© 2009 PricewaterhouseCoopers LLP. All rights reserved. "PricewaterhouseCoopers" refers to the PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) or, as the context requires, other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity. This report is protected under the copyright laws of the United Kingdom and other countries. Any other use or disclosure in whole or in part of this information without the express written permission of PricewaterhouseCoopers LLP is prohibited.