

Highland & Western Isles Valuation Joint Board

Report to those charged
with governance on the
2012/13 audit



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Introduction

1. International Standard on Auditing (UK and Ireland) 260 (ISA 260) requires auditors to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
2. This report sets out for the Highland and Western Isles Valuation Joint Board's (the Joint Board's) consideration the matters arising from the audit of the financial statements for 2012/13 that require to be reported under ISA 260. We are drawing to your attention those matters we think are worthy of note, so that you can consider them before the financial statements are approved and certified. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management, however this does not relieve management of their responsibilities in this respect. This report has been prepared for the use of the Joint Board and no responsibility to any third party is accepted.

Status of the Audit

3. Our work on the financial statements is now complete. The issues arising from the financial statements audit were included in a matters arising schedule issued to the Finance Manager (Central Services) on 6 August 2013. Responses were received on 8 August 2013. There were no significant issues arising requiring discussion with the Treasurer.

Matters to be reported to those charged with governance

Conduct and scope of the audit

4. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in the Annual Audit Plan presented to the Joint Board on 4 April 2013, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.
5. As part of the requirement to provide full and fair disclosure of matters relating to our independence we can confirm that we have not undertaken any non-audit related services. The 2012/13 agreed fee for the audit was disclosed in the Annual Audit Plan.

Fraud

6. In our Annual Audit Plan we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. In presenting this report to the Joint Board we seek confirmation from those charged with governance of any instances thereof that have arisen that should be brought to our attention. A specific confirmation from management in relation to fraud has been included in the draft ISA 580 letter of representation.

Audit opinion & representations

7. Subject to the satisfactory conclusion of any outstanding matters and receipt of a revised set of financial statements for final review, we anticipate being able to issue an unqualified auditor's report on 29 August. The proposed report is attached at [Appendix A](#). There are no anticipated modifications to the audit report.
8. We are required to report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature which we regard as errors less than £1,000.
9. Management have agreed to amend the unaudited financial statements for the majority of our audit findings but decided not to amend for the following financial misstatements:
 - Creditors and the Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement are overstated by £1,500 due to the failure to clear out a car leasing balance following the termination of the lease;
 - Creditors and the Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement are overstated by £1,000 due to an error in the calculation of the holiday pay accrual.
10. It is our responsibility to request that all errors be corrected although the final decision on this matter rests with those charged with governance taking into account advice from officers and materiality. The misstatements set out above are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Management has decided not to amend the financial statements as they are not material.
11. As part of the completion of our audit we seek written assurances from the Treasurer on aspects of the financial statements and judgements and estimates made. A draft letter of representation under ISA580 is attached at [Appendix B](#). This should be signed and returned by the Treasurer with the signed financial statements prior to the independent auditor's opinion being certified.

Accounting and internal control systems

12. The Joint Board's financial transactions are processed through The Highland Council's financial systems. Our review of these systems was conducted as part of that council's audit, supplemented by specific work on the Joint Board's financial statements. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the accounts.

Significant findings from the audit

13. In our view, the following issue requires to be brought to your attention regarding the appropriateness of accounting policies or accounting estimates and judgements, the timing of transactions, the existence of material unusual transactions or the potential effect on the financial statements of any uncertainties.
14. **Going Concern** - the Balance Sheet at 31 March 2013 has an excess of liabilities over assets of £4.265 million due to the accrual of pension liabilities in accordance with International Accounting Standard 19 (Employee Benefits).

Resolution: The Joint Board has adopted a 'going concern' basis for the preparation of the financial statements as future actuarial valuations of the pension fund will consider the appropriate employer's rate to meet the fund's commitments. The constituent authorities of the Joint Board are required by regulation to fund the Joint Board's liabilities as they fall due. We are satisfied that the process which the Joint Board has undertaken to consider the organisation's ability to continue as a going concern is reasonable.

Outstanding matters

15. There are no outstanding matters.

Acknowledgements

16. We would like to express our thanks to the Treasurer's staff and the staff of Highland and Western Isles Valuation Joint Board for their assistance during the audit of this year's financial statements.

Appendix A: Proposed Independent Auditor's Report

Independent auditor's report to the members of Highland and Western Isles Valuation Joint Board and the Accounts Commission for Scotland

I certify that I have audited the financial statements of Highland and Western Isles Valuation Joint Board for the year ended 31 March 2013 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movements in Reserves Statements, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the 2012/13 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Treasurer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Joint Board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the statement of accounts to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2012/13 Code of the state of the affairs of Highland and Western Isles Valuation Joint Board as at 31 March 2013 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2012/13 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and
- the information given in the Explanatory Foreword by the Treasurer to the Board for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Statement on the System of Internal Financial Control does not comply with the 2012/13 Code.

I have nothing to report in respect of these matters.

Maggie Bruce CA
Senior Audit Manager
Audit Scotland - Audit Services
Ballantyne House, 84 Academy Street
Inverness, IV1 1LU

29 August 2013

Appendix B: ISA 580 - Letter of Representation

Maggie Bruce
Senior Audit Manager
Audit Scotland
84 Academy Street
Inverness IV1 1LU

Date

Dear Maggie

Highland and Western Isles Valuation Joint Board

Annual Accounts 2012/13

1. This representation letter is provided in connection with your audit of the financial statements of Highland and Western Isles Valuation Joint Board for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of Highland and Western Isles Valuation Joint Board, as at 31 March 2013 and its income and expenditure for the year then ended.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the Assessor and Corporate Management Team and the Joint Board, the following representations given to you in connection with your audit of Highland and Western Isles Valuation Joint Board for the year ended 31 March 2013.

General

3. I acknowledge my responsibility and that of Highland and Western Isles Valuation Joint Board (the Joint Board) for the financial statements. All the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by the Joint Board have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all management and other meetings.
4. The information given in the Explanatory Foreword and Remuneration Report presents a balanced picture of the Joint Board and is consistent with the financial statements.

5. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those identified in the auditor's report to those charged with governance (ISA260).

Financial Reporting Framework

6. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and the Local Authority Accounts (Scotland) Regulations 1985 including all relevant presentation and disclosure requirements.
7. Disclosure has been made in the financial statements of all matters necessary for them to show a true and fair view of the transactions and state of affairs of the Joint Board for the year ended 31 March 2013.

Accounting Policies & Estimates

8. All material accounting policies adopted are as shown in the Statement of Accounting Policies included in the financial statements. The continuing appropriateness of these policies has been reviewed since the introduction of IAS 8 and on a regular basis thereafter, and takes account of the requirements set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.
9. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. There are no changes in estimation techniques which should be disclosed due to their having a material impact on the accounting disclosures.

Going Concern

10. I have assessed the Joint Board's ability to carry on as a going concern, as identified in the Explanatory Foreword, and have disclosed, in the financial statements, any material uncertainties that have arisen as a result.

Related Party Transactions

11. All transactions with related parties have been disclosed in the financial statements. I have made available to you all the relevant information concerning such transactions, and I am not aware of any other matters that require disclosure in order to comply with the requirements of IAS24, as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Events Subsequent to the Balance Sheet Date

12. There have been no material events since the date of the Balance Sheet which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.
13. Since the date of the Balance Sheet no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

Corporate Governance

14. I acknowledge as Treasurer and Section 95 Officer my responsibility for the corporate governance arrangements. I confirm that I have disclosed to the auditor all deficiencies in internal control of which I am aware.
15. The corporate governance arrangements have been reviewed and the disclosures I have made are in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13. There have been no changes in the corporate governance arrangements or issues identified, since the 31 March 2013 which require disclosure.

Fraud

16. I have considered the risk that the financial statements may be materially misstated as a result of fraud. I have disclosed to the auditor any allegations of fraud or suspected fraud affecting the financial statements. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.

Assets

17. The assets shown in the Balance Sheet at 31 March 2013 were owned by the Joint Board, other than assets which have been purchased under operating leases. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.
18. For the year ended 31 March 2013, the Joint Board did not own or mortgage any properties and did not hold any non-current assets. At 31 March 2013, the Joint Board had no obligations under finance leases.

Liabilities

19. All liabilities have been provided for in the books of account, including the liabilities for all purchases to which title has passed prior to 31 March 2013. There are no contingent liabilities arising either under formal agreements or through informal undertakings requiring disclosure in the accounts.

Carrying Value of Assets and Liabilities

20. The assets and liabilities have been recognised, measured, presented and disclosed in accordance with Code of Practice on Local Authority Accounting in the United Kingdom 2012/13. There are no plans or intentions that are likely to affect the carrying value or classification of the assets and liabilities within the financial statements.

Provisions

21. There are no material liabilities which have resulted or may be expected to result, by legal action or otherwise, from events which had occurred by 31 March 2013 requiring provision to be made in the financial statements.

Commitments

22. There are no commitments under capital contracts. There are no other significant commitments or obligations which might adversely affect the Joint Board which require to be disclosed.

Other Matters

23. Except as disclosed in the financial statements, the results for the period were not materially affected by:
- transactions of a sort not usually undertaken by the Joint Board
 - circumstances of an exceptional or non-recurrent nature
 - charges or credits relating to prior periods
 - any change in the basis of accounting.

Yours sincerely

Derek Yule

Treasurer and Section 95 Officer