

# Ayrshire Valuation Joint Board

Annual Audit Plan 2023/24



 AUDIT SCOTLAND

Prepared for Ayrshire Valuation Joint Board  
March 2024

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# Introduction

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## Summary of planned audit work

1. This document summarises the work plan for our 2023/24 audit of Ayrshire Valuation Joint Board (the Board). The main elements of the audit include:

- an audit of the annual accounts, and provision of an Independent Auditor's Report
- work to support our audit opinions on the other statutory information published within the 2023/24 Annual Accounts, including the Management Commentary, Annual Governance Statement, and the audited part of the Remuneration Report.
- consideration of arrangements in relation to wider scope areas specifically concluding on the financial sustainability of the Board and a review of the Annual Governance Statement
- consideration of Best Value arrangements.

## Respective responsibilities of the auditor and the Board

2. The [Code of Audit Practice](#) sets out in detail the respective responsibilities of the auditor and the Board. Key responsibilities are summarised below.

### Auditor responsibilities

3. Andrew Kerr, Audit Scotland has been appointed by the Accounts Commission as external auditor of the Board, for the period from 2022/23 until 2026/27. The 2023/24 financial year is therefore the second of the five-year audit appointment.

4. Our responsibilities as auditor are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice (including [supplementary guidance](#)) and guided by the Financial Reporting Council's Ethical Standard.

5. Auditors in the public sector give an independent opinion on the financial statements and other information within the Annual Accounts. We also review and report on the wider scope arrangements in place at the Board. In doing this, we aim to support improvement and accountability.

### The Board's responsibilities

6. The Board is responsible for maintaining accounting records and preparing financial statements that give a true and fair view.

7. The Board also has responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective

arrangements for governance and propriety that enable them to deliver their objectives.

**8.** The audit of the Annual Accounts does not relieve management or the Board, as those charged with governance, of their responsibilities.

### **Communication of fraud or suspected fraud**

**9.** In line with ISA (UK) 240 (*The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*), in presenting this plan to the Joint Board we seek confirmation from those charged with governance of any instances of actual, suspected, or alleged fraud that should be brought to our attention. During our audit, should members of the Board have any such knowledge or concerns relating to the risk of fraud within it, we invite them to communicate this to us for our consideration.

### **Adding Value**

**10.** We aim to add value by tailoring audit work to the circumstances of the Board and the audit risks identified; being constructive and forward looking; providing independent conclusions; attending meetings of the Board and by recommending and encouraging good practice. In so doing, we will help the Board promote improved standards of governance, better management and decision making, and more effective use of resources.

# Annual accounts

## Introduction

**11.** The Annual Accounts are an essential part of demonstrating the Ayrshire Valuation Joint Board's (the Board) stewardship of resources and its performance in the use of those resources.

**12.** As auditor's we are required to perform an audit of the financial statements, consider other information within the Annual Accounts, and express a number of audit opinions in an Independent Auditor's Report in accordance with International Standards on Auditing (ISAs) in the UK, Practice Note 10 from the Public Audit Forum which interprets the ISAs for the public sector, and guidance from Audit Scotland.

**13.** We focus our work on the areas of highest risk. As part of our planning process, we perform a risk assessment highlighting the audit risks relating to each of the main financial systems relevant to the production of the financial statements.

## Materiality

**14.** Materiality is an expression of the relative significance of a matter in the context of the annual accounts. We are required to plan our audit to determine with reasonable confidence whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

### Materiality levels for the 2023/24 audit

**15.** The materiality levels for the Board are set out in [exhibit 1](#).

## Exhibit 1

### 2023/24 materiality levels for the Board

Materiality	Amount
<b>Planning materiality:</b> This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of the Board's operations. For the year ended 31 March 2024, we have set our materiality at 2% of gross expenditure based on the audited Annual Accounts for 2022/23.	£65,000

<b>Performance materiality:</b> This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this could indicate that further audit procedures are required. Using our professional judgement, we have assessed performance materiality at 75% of planning materiality.	£49,000
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<b>Reporting threshold:</b> We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£3,500
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Source: Audit Scotland

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## Significant risks of material misstatement to the financial statements

- 16.** Our risk assessment draws on our cumulative knowledge of the Board, its major transaction streams, key systems of internal control, and risk management processes. It is informed by our discussions with management, meetings with internal audit, attendance at committees, and a review of supporting information.
- 17.** Audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available during the progress of the audit. Where such changes occur, we will advise management, and where relevant, report them to those charged with governance.
- 18.** Based on our risk assessment process, we identified the following significant risks of material misstatement to the Annual Accounts. These are risks which have the greatest impact on our planned audit procedures. [Exhibit 2](#) summarises the nature of the risks, management's sources of assurance over these risks, and the further audit procedures we plan to perform to gain assurance over these.

## Exhibit 2

### 2023/24 significant risks of material misstatement to the Annual Accounts

Significant risk of material misstatement	Management's sources of assurance	Planned audit response
<p><b>1. Risk of material misstatement due to fraud caused by management override of controls</b></p> <p>As stated in ISA (UK) 240 (<i>The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements</i>), management is in a unique position to perpetrate fraud because of their ability to override controls that otherwise appear to be operating effectively.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance</p>	<ul style="list-style-type: none"> <li>• Assurances will be obtained from the auditor of South Ayrshire Council over the design and implementation of controls over journal entry processing.</li> <li>• Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</li> <li>• Test journals at the year-end and post-closing entries and focus on significant risk areas.</li> <li>• Evaluate significant transactions outside the normal course of business.</li> <li>• Assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</li> <li>• Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year.</li> <li>• Focussed testing of accounting accruals and prepayments.</li> </ul>
<p><b>2. Estimation in the valuation of land and buildings</b></p> <p>The Board held land and buildings with a net book value of £0.495 million as at 31 March 2023. A full revaluation of this asset is due in 2023/24.</p> <p><b>Risk:</b> There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions, and changes in these can result in material changes to valuations.</p>	<ul style="list-style-type: none"> <li>• Revaluations completed by Royal Institute of Chartered Surveyors (RICS) qualified surveyors.</li> <li>• Detailed working papers retained in support of asset reviews.</li> </ul>	<ul style="list-style-type: none"> <li>• Review the information provided to the external valuer to assess for completeness.</li> <li>• Evaluate the competence, capabilities, and objectivity of the professional valuer.</li> <li>• Obtain an understanding of the management's involvement in the valuation process to assess if appropriate oversight has occurred.</li> <li>• Test the reconciliation between the financial ledger and the property asset register.</li> <li>• Critically assess the adequacy of the Board's disclosures regarding the assumptions in relation to the valuation of land and buildings.</li> </ul>

## Consideration of the risks of fraud in the recognition of income and expenditure

**19.** As set out in ISA (UK) 240 (*The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*), there is a presumed risk of fraud over the recognition of income. There is a risk that income may be misstated resulting in a material misstatement in the Annual Accounts. We have rebutted this risk for the Board because most of the funding received is through requisitions from constituent authorities. These income streams are deemed to represent a low fraud risk.

**20.** In line with Practice Note 10 (*Audit of financial statements and regularity of public sector bodies in the United Kingdom*), as most public-sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk relating to income recognition. We have rebutted this risk for the Board because the nature of expenditure is predominantly on staff costs, support, and administration services. These expenditure streams are deemed to represent a low risk of being materially misstated due to fraud.

**21.** We have not, therefore, incorporated specific work into our audit plan in these areas over and above our standard audit procedures. Our audit testing will maintain an oversight of any unusual transactions or accounting entries.

## Other area of audit focus

**22.** As part of our assessment of audit risks, we have identified one other area where we consider there are also risk of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of the risk, we do not consider this to represent a significant risk. We will keep this area under review as our audit progresses. The area of specific audit focus is:

- **Pension balance:** This is an area of audit focus due to the material value and significant assumptions used in the calculation of the balance. We will review the work of the actuary, including reviewing the appropriateness of actuarial assumptions and management's assessment of these assumptions.

## Audit of the Management Commentary, Annual Governance Statement and Remuneration Report

**23.** In addition to the appointed auditor's opinion of the financial statements, the appointed auditor is required to provide opinions as to whether the Management Commentary, the Annual Governance Statement and the Remuneration Report have been compiled in accordance with the appropriate regulations and frameworks and are consistent with the accounts.

**24.** To inform these opinions we will consider whether the disclosures within each statement comply with the applicable guidance and confirm that relevant information reflects the contents of the Annual Accounts and other supporting documentation.



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# Wider Scope and Best Value

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## Introduction

**25.** Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The Code of Audit Practice (the Code) sets out the four areas that frame the wider scope of public sector audit and requires auditors to consider and conclude on the effectiveness and appropriateness of the arrangements in place for each wider scope area in audited bodies. The four wider scope areas are: financial management; financial sustainability; vision, leadership, and governance; and use of resources to improve outcomes.

**26.** The Code includes a provision relating to the audit of less complex audited bodies. Considering the limited volume and lack of complexity of the financial transactions and its low-risk nature, we plan to apply this provision of the Code to the 2023/24 audit of the Board.

**27.** Where the application of the full wider scope is judged by auditors not to be appropriate then the annual audit work can focus on a review of the Annual Governance Statement and the financial sustainability of the organisation and its services. We will report on these areas in our 2023/24 Annual Audit Report. In addition to our work on these areas, we will review and comment on the Board's performance against its agreed service performance indicators.

## Significant wider scope risks

**28.** Our risk assessment has not identified any significant risks in respect of the above wider scope areas.

## Financial sustainability

**29.** Whilst not a significant audit risk, the challenging financial environment in which the Board, along with other public sector bodies, is operating in, has been identified as an area of audit focus. There are challenges to the medium and longer-term financial sustainability due to the uncertainty over future Scottish Government funding allocations, the rising cost of inflation and the cost of implementing future pay settlements. Our Annual Audit Report will include comment the Board's 2023/24 financial outturn, the 2024/25 budget, and its medium-term financial plan.

## Best Value

**30.** Auditors have a duty to be satisfied that bodies that fall within section 106 of the Local Government (Scotland) Act 1973 have made proper arrangements to secure Best Value. We will consider how the Board demonstrates that it is meeting its Best Value responsibilities, and we will report our findings as part of our Annual Audit Report.

# Reporting arrangements, timetable, and audit fee

## Reporting arrangements

**31.** Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft reports will be shared with the relevant officers to confirm factual accuracy. All Annual Audit Plans and the outputs detailed in [exhibit 3](#), and any other outputs on matters of public interest, will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

**32.** We will provide:

- an Independent Auditor's Report to the Board and the Accounts Commission setting out our opinions on the Annual Accounts.
- the Board and the Accounts Commission with an Annual Audit Report containing observations and recommendations on significant matters which have arisen during the audit and conclusions on relevant wider scope areas.

**33.** [Exhibit 3](#) outlines the target dates for our audit outputs set by Audit Scotland and/or statutory guidance. In determining the target reporting date, due regard is paid to the dates for approving the Annual Accounts set out in regulations of 30 September 2024.

**34.** We plan to issue our Independent Auditor's Report and Annual Audit Report by the target date.

## Exhibit 3

### 2023/24 audit outputs

Audit Output	Audit Scotland /statutory target date	Joint Board Date
Annual Audit Plan	31 March 2024	4 March 2024
Independent Auditor's Report	30 September 2024	September 2024
Annual Audit Report	30 September 2024	September 2024

Source: Audit Scotland



## Audit timetable

**35.** To support an efficient audit, it is critical that the timetable for producing the annual accounts for audit is achieved. We have included a proposed timetable for the audit at [exhibit 4](#) that has been discussed with management.

**36.** We will continue to work closely with management to identify the most efficient approach as appropriate and will keep timeframes for the completion of the audit under review. Progress will be discussed with management and finance officers over the course of the audit.

### Exhibit 4

#### Proposed Annual Accounts timetable

 Key stage	 Provisional Date
Consideration of the unaudited Annual Accounts by those charged with governance (the Board).	4 June 2024
Latest submission date for the receipt of the unaudited Annual Accounts with complete working papers package.	30 June 2024
Latest date for final clearance meeting with the Assessor and Service Lead - Corporate Accounting.	By 31 August 2024
Issue of proposed Annual Audit Report, letter of management representation and proposed independent auditor's report to those charged with governance.	By 31 August 2024
Presentation of proposed Annual Audit Report to those charged with governance. Approval of the Ayrshire Valuation Joint Board Annual Accounts by those charged with governance, independent auditor's report signed electronically following this approval and the final Annual Audit Report issued.	By 30 September 2024

Source: Audit Scotland

## Audit fee

**37.** In setting the fee for 2023/24, we have assumed that the Board has effective governance arrangements and will prepare a comprehensive and accurate set of Annual Accounts for audit in line with the agreed timetable for the audit. The audit fee assumes there will be no major change in respect of the scope of the audit during the year and where our audit cannot proceed as planned, a supplementary fee may be levied. The audit fee for 2023/24 is £9,330 (2022/23: £8,800).

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# Other matters

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## Internal audit

**38.** It is the responsibility of the Board to establish adequate internal audit arrangements. South Ayrshire Council's internal audit function, led by the Chief Internal Auditor, provides the Board with its internal audit services.

**39.** While we are not planning to place formal reliance on the work of internal audit in 2023/24, we will review internal audit reports and assess the impact of the findings on our financial statements and wider scope audit responsibilities.

## Independence and objectivity

**40.** Auditors appointed by the Accounts Commission must comply with the [Code of Audit Practice](#) and relevant supporting guidance. When auditing the annual accounts, auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors.

**41.** Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual '*fit and proper*' declaration for all members of staff. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

**42.** The appointed auditor for Ayrshire Valuation Joint Board is Andrew Kerr, Senior Audit Manager. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of the Board.

## Audit Quality

**43.** Audit Scotland is committed to the consistent delivery of high-quality public audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. A document explaining the arrangements for providing assurance on the delivery of high-quality audits is available from the [Audit Scotland website](#).

**44.** The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2023/24 audits are ISQM (UK) 1 which deals with an audit organisation's responsibilities to design, implement and operate a system of quality management (SoQM) for audits and ISQM (UK) 2 which sets out arrangements for conducting engagement quality reviews.

**45.** To monitor quality at an individual audit level, Audit Scotland also carries out internal quality reviews of a sample of audits. Additionally, the Institute of

Chartered Accountants of England and Wales (ICAEW) carries out independent quality reviews. Progress with implementing improvement actions is regularly monitored by Audit Scotland's Quality and Ethics Committee

**46.** Audit Scotland may periodically seek your views on the quality of our service provision. The team would also welcome feedback more informally at any time.

# Ayrshire Valuation Joint Board

## Annual Audit Plan 2023/24

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

[www.audit-scotland.gov.uk/accessibility](http://www.audit-scotland.gov.uk/accessibility)

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