

Grampian Valuation Joint Board

2016/17 Annual Audit Report



 AUDIT SCOTLAND

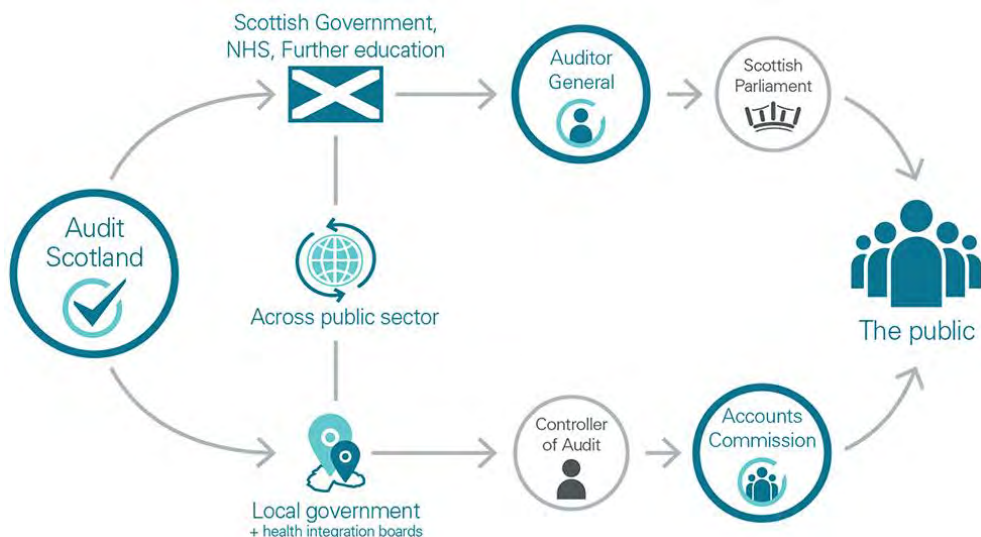
Prepared for members of Grampian Valuation Joint Board and the Controller of Audit

25 August 2017

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Key messages

Audit of the 2016/17 annual accounts

- 1 The financial statements of Grampian Valuation Joint Board for 2016/17 give a true and fair view of the state of its affairs and of the net deficit on the provision of services for the year.
- 2 The other information in the annual accounts is consistent with the financial statements.

Financial management

- 3 The Joint Board has effective arrangements in place for financial management. An underspend of £235,000 was achieved against the 2016/17 budget, the majority of which was returned to constituent authorities.
- 4 Appropriate arrangements are in place for the prevention and detection of fraud. There is a need to review key documents to ensure that they are up to date and reflect best practice.

Financial sustainability

- 5 Budgets are prepared and approved on an annual basis. The Joint Board has recognised the need to improve its financial planning and is working towards the development of a sustainable four year plan.
- 6 The Joint Board is facing a number of challenges in maintaining a sustainable financial position in the medium to longer term. These include increasing cost of services, reductions in requisition funding and uncertainties over the level of government funding available to cover the additional costs associated with Individual Electoral Registration (IER).
- 7 The Joint Board has an adequate level of reserves and has a history of underspending against its annual budget.

Governance and transparency

- 8 Grampian Valuation Joint Board has appropriate arrangements in place to support good governance, accountability and scrutiny. A number of key governance documents need to be reviewed to ensure that they are up to date and reflect best practice.
- 9 The Joint Board is open and transparent in the way it conducts its business. The public can attend meetings of the Joint Board and minutes of the meetings are available on the Joint Board's website.

Value for money

- 10 The Joint Board has an appropriate framework in place for monitoring and reporting against key performance indicators.

Introduction

1. This report is a summary of the findings arising from the 2016/17 audit of Grampian Valuation Joint Board (the Joint Board).
2. The scope of the audit was set out in our Annual Audit Plan presented to the January 2017 meeting of the Joint Board. This report comprises:
 - an audit of the annual accounts
 - consideration of the four dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 1](#).

Exhibit 1

Audit dimensions



Source: Code of Audit Practice 2016

3. The main element of our audit work in 2016/17 has been the audit of the Joint Board's 2016/17 annual accounts including the issue of an independent auditor's report setting out our opinions.
4. The Joint Board is responsible for preparing annual accounts that show a true and fair view in accordance with the Local Authority Accounts (Scotland) Regulations 2014. It is also responsible for establishing effective governance arrangements and ensuring financial management is effective.
5. Our responsibilities as independent auditor are established by the Local Government in Scotland Act 1973 and the [Code of Audit Practice 2016](#), guided by the auditing profession's ethical guidance.

- 6.** As public sector auditors we provide an independent auditor's report on the annual accounts. We also review and report on the arrangements within the Joint Board to manage its performance and use of resources such as money, staff and assets. In doing this, we aim to support improvement and accountability.
- 7.** Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#).
- 8.** This report raises matters from the audit of the annual accounts, risks or control weaknesses. Communicating these does not absolve management from its responsibility to address the issues we raise, and to maintain adequate systems of control.
- 9.** Our annual audit report contains an action plan at [Appendix 1](#). It sets out specific recommendations, responsible officers and dates for implementation.
- 10.** As part of the requirement to provide fair and full disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2016/17 audit fee for the audit was set out in our Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
- 11.** This report is addressed to both the Joint Board and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk.
- 12.** We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

Part 1

Audit of 2016/17 annual accounts



Main judgements

The financial statements of Grampian Valuation Joint Board for 2016/17 give a true and fair view of the state of its affairs and of the net deficit on the provision of services for the year.

The other information in the annual accounts is consistent with the financial statements.

Unqualified audit opinions

13. The annual accounts for the year ended 31 March 2017 were approved by the Joint Board on 25 August 2017. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements
- unqualified opinions on the management commentary, remuneration report and annual governance statement.

14. Additionally, we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

Submission of annual accounts for audit

15. We received the unaudited annual accounts on 31 May 2017, in line with the audit timetable set out in our 2016/17 Annual Audit Plan.

16. The working papers provided with the unaudited report and accounts were of a good standard and finance staff provided good support to the audit team during the audit. This helped ensure that the final accounts process ran smoothly.

Risk of material misstatement

17. [Appendix 2](#) sets out our conclusions from the work done to address the risks of material misstatement, identified during the planning process, which impacted on our overall audit strategy, the allocation of resources to the audit and directed the efforts of the audit team. Also included within the appendix are the wider audit dimension risks identified as part of the planning process.

The Joint Board's annual report and accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of its resources.

Materiality

18. Materiality defines the maximum error that we are prepared to accept and still conclude that that our audit objective has been achieved (i.e. true and fair view). The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

19. Our initial assessment of materiality for the annual accounts was undertaken during the planning phase of the audit and is summarised in [Exhibit 2](#). Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

20. On receipt of the annual accounts and following completion of audit testing we reviewed our original materiality calculations and concluded that they remained appropriate.

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality – this is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 17 based on the budget for 2016/17, rounded to the nearest £1,000.	£44,000
Performance materiality – this acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 70% of planning materiality, rounded to the nearest £1,000.	£31,000
Reporting threshold (i.e. clearly trivial) – we are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 2% of planning materiality, rounded to the nearest £1,000.	£1,000

Source: Grampian Valuation Joint Board Annual Audit Plan 2016/17

How we evaluate misstatements

21. There were no material adjustments to the unaudited financial statements arising from our audit. We identified one misstatement (refer to [Exhibit 3, no. 2](#)) which the Treasurer has agreed to amend in the audited financial statements.

22. The impact of this adjustment is to increase the deficit on the provision of services in the Comprehensive Income and Expenditure Statement, and increase creditors and the balance on the employee statutory adjustment account in the Balance Sheet by £35,000.

23. As the misstatement exceeded our performance materiality level we are required to consider the impact on our audit approach. We concluded that further audit procedures were not required as this was an isolated issue which does not indicate that further systematic errors exist within the account area, or more pervasively within the financial statements.

24. There are no unadjusted misstatements to report to those charged with governance.

Significant findings

25. International Standard on Auditing 260 (UK & Ireland) requires us to communicate to you significant findings from the audit. These are summarised in [Exhibit 3](#).

Exhibit 3

Significant findings from the audit of Grampian Valuation Joint Board

Issue	Resolution
<p>1. Going Concern</p> <p>Auditors are required to consider an organisation's ability to continue as a going concern when forming an opinion on the financial statements. One of the indicators that may give rise to going concern considerations is an excess of liabilities over assets. In accordance with International Accounting Standard 19 (Employee Benefits), the Joint Board has recognised its share of the net liabilities of the North East Scotland Pension Fund resulting in a net liabilities position (£5.799 million) on its balance sheet at the year end.</p>	<p>This accounting requirement has no impact on the underlying basis for meeting current and on-going pension liabilities which will be met, as they fall due, by contributions from the constituent authorities. We agree with management's view that it is appropriate to prepare the 2016/17 financial statements on the going concern basis.</p>
<p>2. Holiday Pay Accrual</p> <p>Our review of the 2016/17 holiday pay accrual identified that it had been understated by £35,000 due to an error in the spreadsheet used to calculate the accrual.</p>	<p>The audited financial statements have been amended to correct this misstatement.</p>

Source: Audit Scotland

Other findings

26. Our audit identified a number of minor presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited annual accounts.

Part 2

Financial management



Main judgements

The Joint Board has effective arrangements in place for financial management. An underspend of £235,000 was achieved against the 2016/17 budget, the majority of which was returned to constituent authorities.

Appropriate arrangements are in place for the prevention and detection of fraud. There is a need to review key documents to ensure that they are up to date and reflect best practice.

Financial performance in 2016/17

27. The Joint Board's net operating expenditure in 2016/17 was £3.968 million compared to budgeted net expenditure of £4.203 million, an underspend of £235,000. [Exhibit 4](#) provides a summary of the over and underspends against budget in 2016/17. The majority of the underspend relates to staff (£106,000) and transport (£13,000) savings resulting from vacant posts.

28. The Joint Board planned to use £7,000 of reserves (government grant unused in previous years) to support its 2016/17 budget. Once that is taken into account the net surplus is £228,000, of which the maximum permitted (£2,000) was transferred to the General Fund and the remainder (£226,000) was returned to constituent authorities.

29. The net operating expenditure (£3.968 million) differs from the net cost of services disclosed in the comprehensive income and expenditure statement of £4.140 million by £172,000. This is because reports prepared for the Joint Board's monitoring purposes are prepared on a different basis from the accounting policies used to prepare the financial statements. Note 7 to the accounts reconciles the figures in the budget outturn report to the figures to the comprehensive income and expenditure statement. This shows that the majority of the difference is due to the cost of retirement benefits which are based on cash flows in the budget monitoring reports, but on the current service costs of benefits accrued in the year within the accounts.

30. As highlighted in [Exhibit 3](#), the Joint Board's balance sheet as at 31 March 2017 was in a net liabilities position due to the requirements of IAS19 (Retirement Benefits). In addition, there was a £105,000 liability for annual leave earned but not taken at the year end.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Exhibit 4

Summary of over and under spends against budget

Area	Under/over spend (£'000)	Reason for variance
Underspends/over recovery		
Staff costs	£106	Vacant posts.
Transport costs	£13	As a result of vacant posts.
Supplies and Services	£80	Under budget on postages and IT maintenance and support.
Overtime working - Revaluation	£37	Unspent contingency for overtime related to the 2017 revaluation exercise.
Income	£21	An additional £27,000 was received during the year for website funding.
Overspend		
Property costs	£22	Roof repair and window replacements at the Elgin office.

Source: Grampian Valuation Joint Board Annual Accounts for the year ended 31 March 2017

Budgetary monitoring and control

31. We reviewed the Joint Board's process for preparing budget information and the budget monitoring reports presented to the Board. We concluded that the arrangements in place were sufficiently robust to provide effective financial information for management decision-making and scrutiny of the finances of the Joint Board.

Prevention and detection of fraud

32. We reviewed the arrangements put in place by management for the prevention and detection of fraud including codes of conduct for staff and elected members, and policies on whistleblowing and fraud prevention.

33. Based on the evidence reviewed by us, we concluded that the Joint Board has appropriate arrangements in place for the prevention and detection of fraud. We noted, however, that the Anti-Fraud and Corruption and Confidential Reporting (Whistleblowing) policies have yet to be reviewed to ensure that they are up to date and reflect best practice.

Action Plan – Point 1

Part 3

Financial sustainability



Main judgements

Budgets are prepared and approved on an annual basis. The Joint Board has recognised the need to improve its financial planning and is working towards the development of a sustainable four year plan.

The Joint Board is facing a number of challenges in maintaining a sustainable financial position in the medium to longer term. These include increasing cost of services, reductions in requisition funding and uncertainties over the level of government funding available to cover the additional costs associated with Individual Electoral Registration (IER).

The Joint Board has an adequate level of reserves and has a history of underspending against its annual budget.

Financial planning

34. The Joint Board's budgets are prepared and approved on an annual basis and include indicative budgets for the following two years. Audit Scotland recommends that public bodies develop a long term financial strategy of 5 years or more supported by clear and detailed medium term financial plans covering 3 years or more. These should set out scenario plans showing the best, worst and most likely scenarios with a clear assessment of the impact of budget assumptions on activity and any residual risks.

35. Scenario planning is particularly important when future Scottish Government funding is not known. Local government bodies should plan for a range of scenarios so they are prepared for different levels of funding and income. The majority of the Joint Board's income comes from constituent authorities who are facing reductions to their government funding. To date, the Joint Board has received a grant from the Cabinet Office to cover the additional costs of Individual Electoral Registration. Going forward, the amount of this funding is uncertain, although the Cabinet Office has indicated that the funding will be available until 2019/20.

36. The Joint Board has recognised the need to improve its financial planning and the Annual Governance Statement includes reference to the uncertainty of central government funding and the need to finalise a resourced and sustainable four-year plan. In the local government overview report, published in March 2016, Audit Scotland set out some questions which provide a framework that officers and members could use to assess the Joint Board's financial planning arrangements against. A self-assessment tool for councillors is also available as a supplement to the report.

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Funding position

37. The Joint Board approved its 2017/18 budget in January 2017. The budget was set at £4.039 million, representing a 3.7% reduction in cash terms on the 2016/17 budget. In light of the on-going vacant posts within the service, an efficiency target of £121,000 was included within the agreed budget.

38. The indicative figures for 2018/19 and 2019/20 have been based on the 2017/18 budget and include an allowance (1%) for future pay awards. Employee costs now account for more than 74% of the Joint Board's expenditure. The Assessor has committed to undertaking another review of the service to identify further savings options. It is likely that the funding of local government bodies will continue to contract over the medium term. In common with other local government bodies, the Joint Board will need to make difficult decisions to ensure the sustainability of the service in the medium to longer term.

Reserves

39. The Joint Board maintains a General Fund balance to support medium-term financial planning and to address any unforeseen costs. In the absence of a more specific regulation for Valuation Joint Boards in respect of the carry forward limits on the general fund, members agreed that a maximum of 3% of the total budget should be added to the general fund in any one year as long as the cumulative balance does not exceed 5% of the total budget in that year.

40. As at 31 March 2017, the General Fund balance is at the maximum permitted level. During 2017/18 the Assessor will manage the service, including the resources required to maintain IER, within the constraints of the current budget and, if necessary, the flexibility afforded by the General Fund balance. This may see depletion of the Joint Board's reserves in future years as pressure to make savings continues.

Pension liability

41. The Joint Board's estimated pension liabilities exceeded its share of the assets in the North East Scotland Pension Fund by £6.6 million (£3.9 million at 31 March 2016). The liability will be made good by increased contributions over the remaining working lives of the employees, as assessed by the scheme's actuary.

Part 4

Governance and transparency



Main Judgements

Grampian Valuation Joint Board has appropriate arrangements in place to support good governance, accountability and scrutiny. A number of key governance documents need to be reviewed to ensure that they are up to date and reflect good practice.

The Joint Board is open and transparent in the way it conducts its business. The public can attend meetings of the Joint Board and minutes of the meetings are available on the Joint Board's website.

Governance arrangements

42. Members and management of the Joint Board are responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and for monitoring the adequacy and effectiveness of these arrangements.

43. We reviewed the Joint Board's governance arrangements and concluded that effective overarching and supporting governance arrangements are in place to provide an appropriate framework for organisational decision making. As noted in our Annual Audit Plan, a number of key governance documents need to be reviewed to ensure that they are up to date and reflect good practice.

Action Plan – Point 1

Management commentary, annual governance statement and remuneration report

44. The *Code of Audit Practice 2016* requires Joint Boards to prepare and publish, along with their financial statements, an annual governance statement, management commentary and remuneration report that are consistent with the disclosures made in the financial statements. The management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body.

45. Based on our knowledge and work performed, we concluded that the management commentary, annual governance statement and remuneration report are consistent with the financial statements.

Internal audit

46. Internal audit provides senior management and elected members with independent assurance on the Joint Board's overall risk management, internal control and corporate governance processes.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making and transparent reporting of financial and performance information.

47. The Joint Board's internal audit function is provided by Moray Council's internal audit team. As part of our Moray Council audit we reviewed the council's internal audit function and noted that an internal assessment against the Public Sector Internal Audit Standards (PSIAS) had not been undertaken. Plans are, however, in place for the internal audit function to be externally assessed during 2017/18 and it is understood that this is scheduled for October/November 2017.

48. We adopted a substantive approach to the audit of the Joint Board in 2016/17 and so did not place any formal reliance on internal audit's work. We concluded that the section had the necessary skills, experience and competence to enable us to place formal reliance on their work for our Moray Council audit.

Transparency

49. Transparency means that the public, in particular local residents, have access to understandable, relevant and timely information about how the Joint Board is taking decisions and how it is using resources such as money, people and assets. Citizens should be able to hold the Joint Board to account about the services it provides.

50. Overall, we concluded that the Joint Board conducts its business in an open and transparent manner. Members of the public can attend meetings of the Joint Board, and minutes and supporting papers are available on the Joint Board's website. The website also allows the public to access a wide range of information about the service, including corporate policies, performance reports and the annual accounts which include a management commentary providing details of performance against budget, information on the use of reserves and the risks and uncertainties facing the Joint Board.

Equalities

51. The Equality Act 2010 introduced a public sector general duty that encourages public bodies to mainstream equality, that is, ensure it is part of their core work. The Act requires that by no later than 30 April 2015 and every two years thereafter, public bodies must publish a report on the progress made to achieve the quality of outcomes it has set.

52. We reviewed the 2015 Equalities Report, 2013-2017 Outcomes Report and 2017-2021 Outcomes Report and concluded that the Joint Board has met its statutory duty to:

- publish information on progress made in mainstreaming equality within the Joint Board
- report on progress made towards achieving equality outcomes published in 2013
- publish annual employee information and details of the progress made in gathering and using information to better meet the duty
- publish updated gender pay gap information.

53. We concluded, on the basis of evidence reviewed, that the Joint Board is proactive in ensuring that equality is mainstreamed.

Part 5

Value for money



Main judgements

The Joint Board has an appropriate framework in place for monitoring and reporting against key performance indicators.

Value for money

54. Value for money is a key element of our audit approach. In 2016/17 we did not identify any significant value for money risks during our planning and, therefore, we did not undertake any specific value for money work this year. We will keep this area under review over the five-year audit appointment and will report as appropriate.

Performance management

55. A number of key performance indicators and volume measures have been agreed by the Scottish Government, the Scottish Assessors' Association and the Accounts Commission. Members received regular updates on performance against these indicators throughout 2016/17.

56. In June 2016, the Joint Board approved a temporary reduction in the performance targets for processing amendments to the Valuation Roll to take into account the additional workload resulting from the non domestic rates revaluation exercise in 2016/17. In June 2017, the Joint Board agreed that the previous target levels should be reinstated for 2017/18.

57. [Exhibit 5](#) and [Exhibit 6](#) set out performance against the key indicators over the last two years.

Value for money is concerned with using resources effectively and continually improving services.

Exhibit 5

Valuation Roll - % of amendments processed

Time Period	2016/17	2016/17	2015/16	2015/16
	Target	Actual	Target	Actual
0 - 3 Months	60%	56.2%	77%	61.2%
3 - 6 Months	25%	18.8%	13%	17.0%
Over 6 Months	15%	24.9%	10%	21.8%

Source: Report to Grampian Valuation Joint Board on 30 June 2017

58. Despite the reduction in the targets for processing valuation roll amendments, the Joint Board did not achieve its targets in 2016/17. In addition to the additional work required to revalue the 25,521 non-domestic properties, valuation staff also undertook extra work in response to a Supreme Court decision. This resulted in 610 properties being re-assessed and 262 additional entries being made to the valuation roll.

Exhibit 6

Council Tax List - % of amendments processed

Time Period	2016/17 Target	2016/17 Actual	2015/16 Target	2015/16 Actual
0 - 3 Months	94%	91.8%	94%	92.5%
3 - 6 Months	3%	6.3%	3%	5.2%
Over 6 Months	3%	1.9%	3%	2.3%

Source: Report to Grampian Valuation Joint Board on 30 June 2017

59. Targets for processing amendments to the council tax list were also not met in 2016/17. The number of new houses to be added to the council tax list, however, increased with 3,345 in 2016/17 compared to 3,009 in 2015/16. As a result, more amendments (3,070) were made within 90 days compared to the previous year (2,783) although the percentage of total amendments processed within 90 days declined slightly.




National performance audit reports

60. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2016/17, a number of reports were issued which may be of interest to the Joint Board. These are outlined in [Appendix 3](#).

Appendix 1

Action plan 2016/17

2016/17 recommendations for improvement

Page no.	 Issue/risk	 Recommendation	 Agreed management action/timing
11 & 14	<p>1. Governance documents</p> <p>The following policies require to be reviewed to ensure that they are up to date and reflect the latest guidance:</p> <ul style="list-style-type: none"> • Code of Corporate Governance (last reviewed 2006) • Code of Conduct (last reviewed 2008) • Anti-Fraud and Corruption Policy (last reviewed 2009) • Confidential Reporting (Whistleblowing) Policy (last reviewed 2008) • Contingencies Plan (last reviewed 2010). <p>In addition, a scheme of delegation has not been prepared for the Joint Board.</p>	<p>Governance documents should be reviewed regularly to ensure that they are up to date and reflect best practice.</p>	<p>A policy review timetable will be agreed ahead of the Board's meeting in January 2018. The wider financial framework including code of corporate governance, financial regulations and scheme of delegation will be reported to the Board in August 2017</p> <p>Responsible officer: Assessor & ERO</p> <p>Agreed date: As above</p>
12	<p>2. Medium to long term financial planning</p> <p>The Joint Board's budgets are prepared and approved on an annual basis and include indicative budgets for the following two years. Scenario planning is not used to model the impact of different funding levels.</p>	<p>A long term financial strategy (5 years +) supported by clear and detailed financial plans (3 years +) should be developed. Plans should set out scenario plans (best, worst, most likely) with a clear assessment of the impact of budget assumptions on activity and any residual risks.</p>	<p>A financial strategy and framework will be prepared for a five year period, and a three year budget reported to the Board when the budget is set in January 2018. The budget report will consider different scenarios for the core activities of the Assessor's service and the impact these would have on the requisitions from constituent authorities.</p> <p>Responsible officer: Treasurer</p> <p>Agreed date: 31 December 2017</p>

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Review of significant management estimates and evaluation of the impact of any variability in key assumptions.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p> <p>Substantive testing of transactions after the year end to confirm expenditure and income has been accounted for in the correct financial year.</p>	<p>No issues have arisen as part of our audit work that would indicate management override of controls affecting the outturn or year-end position.</p>
<p>2 Revisions to the presentation of the financial statements</p> <p>The 2016/17 Code of Practice on Local Authority Accounting (the Code) makes changes to the structure of the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MIRS). This will require the restatement of prior year comparatives and presents a risk of misstatement in the financial statements.</p>	<p>Review of the revised structure of the CIES and MIRS.</p> <p>Detailed analysis of account code mapping for CIES.</p> <p>Review of prior year comparatives and restatements.</p>	<p>Our audit procedures did not identify any issues with the presentation of the financial statements.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>3 New expenditure and funding analysis</p> <p>The Code sets out a new requirement for a expenditure and funding analysis. This will provide a reconciliation of the statutory adjustments between the Joint Board's financial performance on a funding basis and the surplus or deficit on provision of services in the CIES. This presents an increased risk of misstatement as the analysis may not be in line with the requirements of the Code. There is also an increased risk of inconsistencies between the analysis and the accounts.</p>	<p>Detailed testing of expenditure and funding analysis.</p> <p>Review of prior year comparatives and restatements.</p> <p>Review of consistency between the expenditure and funding analysis and information contained elsewhere within the annual accounts.</p>	<p>Our audit procedures identified one amendment to the presentation of the adjustments within the Expenditure and Funding Analysis which has been corrected in the audited financial statements.</p> <p>All information was consistent with information contained elsewhere within the annual accounts.</p>

<p>4 Changes to governance disclosures</p> <p>The Code makes changes to the requirements of the governance statement. This will require additional information to be disclosed to ensure all requirements of the Code are met. This presents a risk that the governance disclosures may not be complete.</p>	<p>Review of governance statement content.</p> <p>Testing of governance disclosures.</p>	<p>Our audit procedures did not identify any errors with the content of the annual governance statement and all disclosures required have been included.</p>
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Risks identified from the auditor's wider responsibility under the Code of Audit Practice





















<p>5 Financial sustainability</p> <p>To date, additional costs of Individual Electoral Registration (IER) have been recoverable from the Cabinet Office. There are indications, however, that this funding will be reduced as IER becomes 'business as usual'. Future savings will need to be made to achieve a breakeven position and maintain reserves at an appropriate level.</p>	<p>Review of budget monitoring reports during the year and comment on the financial position within the annual audit report.</p>	<p>Our review of budget monitoring reports did not identify any issues with the financial sustainability of the Joint Board in the short term.</p> <p>Concerns over the level of funding for additional costs associated with IER are regularly noted by the Joint Board and taken into consideration when setting the annual budget. Efficiency savings are identified in other areas where possible.</p> <p>Refer also to Part 3 of this report.</p>
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Audit risk	Assurance procedure	Results and conclusions
<p>6 Governance and transparency</p> <p>The following policies require to be reviewed to ensure that they are up to date and reflect the latest guidance:</p> <ul style="list-style-type: none"> • Code of Corporate Governance (last reviewed 2006) • Code of Conduct (last reviewed 2008) • Anti-Fraud and Corruption Policy (last reviewed 2009) • Confidential Reporting (Whistleblowing) Policy (last reviewed 2008) • Contingencies Plan (last reviewed 2010). <p>In addition, a scheme of delegation has not been prepared for the Joint Board.</p> <p>There is a risk that the existing governance arrangements are not up to date and/or do not reflect best practice.</p>	<p>Monitor progress against the action plan and comment on governance arrangements in the annual audit report.</p>	<p>The Assessor planned to prepare a scheme of delegation and have the key policies reviewed, updated and submitted for approval by the Joint Board on 30 June 2017. This timescale was not met due to the calling of the early general election in June 2017.</p> <p>It is now planned to submit the updated financial regulations, a scheme of delegation and an updated code of corporate governance to the 25 August 2017 meeting of the Joint Board.</p> <p>Refer also to Part 4 of this report.</p>

Appendix 3

Summary of national performance reports 2016/17



Apr			
May		Common Agricultural Policy Futures programme: an update	
Jun		South Ayrshire Council: Best Value audit report	 The National Fraud Initiative in Scotland
Jul		Audit of higher education in Scottish universities	 Supporting Scotland's economic growth
Aug		Maintaining Scotland's roads: a follow-up report	 Superfast broadband for Scotland: a progress update  Scotland's colleges 2016
Sept		Social work in Scotland	 Scotland's new financial powers
Oct		Angus Council: Best Value audit report	 NHS in Scotland 2016
Nov		How councils work – Roles and working relationships in councils	 Local government in Scotland: Financial overview 2015/16
Dec		Falkirk Council: Best Value audit report	 East Dunbartonshire Council: Best Value audit report
Jan			
Feb		Scotland's NHS workforce	
Mar		Local government in Scotland: Performance and challenges 2017	 i6: a review  Managing new financial powers: an update

Local government relevant reports

[The National Fraud Initiative in Scotland - June 2016](#)

[How councils work - Roles and working relationships in councils - November 2016](#)

[Local government in Scotland: Financial overview 2015/16 - November 2017](#)

[Local government in Scotland: Performance and challenges 2017 - March 2017](#)

Grampian Valuation Joint Board

2016/17 Annual Audit Report

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