

Renfrewshire Valuation Joint Board

2016/17 Annual Audit Report



 AUDIT SCOTLAND

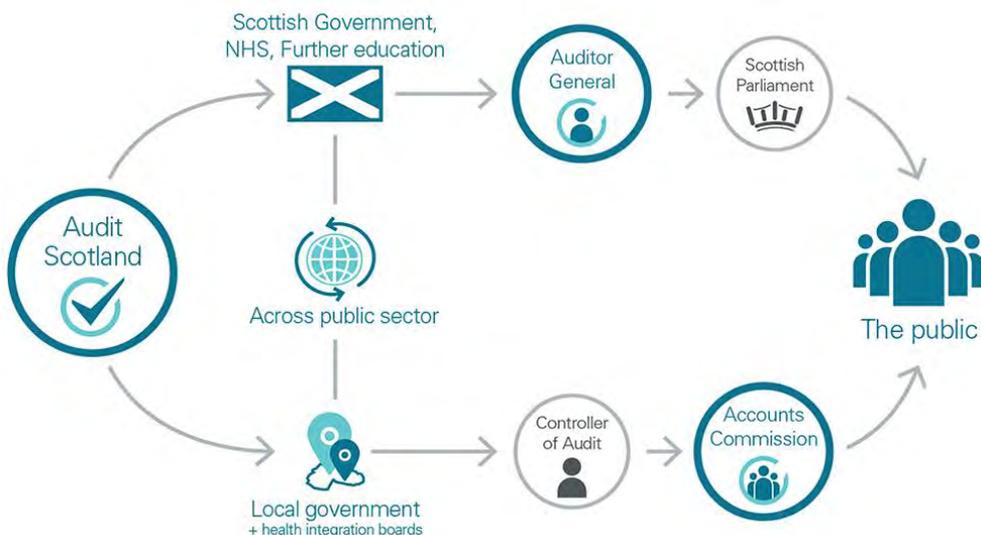
To Members of the Renfrewshire Valuation Joint Board and the Controller of Audit

29 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 Our audit opinions were all unqualified. These covered the financial statements, management commentary, remuneration report and the annual governance statement.
- 2 One minor misstatement was identified and this was adjusted by management.

Financial management

- 3 Net expenditure outturn during the year was higher than budgeted which resulted in an increased use of reserves than originally planned.
- 4 The Joint Board has found it difficult to deliver services within budget over the last 4 years.
- 5 Savings have been delivered mainly through containing staff costs. This has been achieved through natural turnover, restructuring senior management structures and limited use of voluntary early retirement.

Financial sustainability

- 6 The Joint Board's financial position has been managed through the use of reserves. However, declining reserves, rising demands, increasing costs and possible reductions to requisition income will continue to put a strain on the Joint Board's capacity to deliver the current level of service.
- 7 The level of useable reserves is forecast to fall to £0.193 million by the end of 2017/18. It is recommended that the balance held in reserves continues to be reviewed to ensure there are sufficient funds to address ongoing demand on services.

Governance and transparency

- 8 The Joint Board has appropriate governance arrangements in place to support the scrutiny of decision making. However, a number of policies and procedures require to be reviewed and updated.
- 9 The Joint Board is open and transparent in the way it conducts its business; the public can attend meetings and access agendas and meeting papers.
- 10 Internal audit reports are only reviewed by management and are not shared with members of the Joint Board.

Value for money

- 11 Performance has deteriorated since 2015 with the 2017 revaluation exercise highlighted as a contributing factor.

Introduction

1. This report is a summary of the findings arising from the 2016/17 audit of Renfrewshire Valuation Joint Board (RVJB).
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 report and accounts
 - consideration of the four dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 1 \(page 5\)](#).

Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

3. The main elements of our audit work in 2016/17 have been:
 - an interim audit of Renfrewshire Council's main financial systems and governance arrangements which are used by RVJB
 - an audit of RVJB's 2016/17 annual report and accounts including the issue of an independent auditor's report setting out our opinions.
4. RVJB is responsible for preparing the annual report and 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 report and accounts. We also review and report on the arrangements within RVJB to manage its performance and use of resources such as money, staff and assets. Additionally, we consider RVJB's best value arrangements. 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 report and 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 \(page 22\)](#). 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-operational and assistance during the audit.

Part 1

Audit of 2016/17 annual report and accounts



Main judgements

Unqualified audit opinions on RVJB's annual report and accounts.

One minor misstatement was identified and this was adjusted by management.

Unqualified audit opinions

- 13.** The annual report and accounts for the year ended 31 March 2017 were approved by the Joint Board on 18 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.

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.

Submission of RVJB's annual report and accounts for audit

- 15.** We received the unaudited annual report and accounts on 9 June, 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 \(page 24\)](#) provides a description of those assessed risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team. Also, included within the appendix are wider audit dimension risks, how we addressed these and our conclusions.

Materiality

- 18.** Materiality defines the maximum error that we are prepared to accept and still conclude 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 report and accounts was undertaken during the planning phase of the audit and is summarised in [Exhibit](#)

[2 \(page 8\)](#). Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

20. On receipt of the annual report and 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 was set at 1 per cent of gross expenditure for the year ended 31 March 2017.	£27,300
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 75 per cent of overall materiality.	£20,400
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.	£1,000

Source: Audit Scotland

How we evaluate misstatements

21. There were no material adjustments to the unaudited financial statements arising from our audit. There was one error of £2,279 identified which was above the reporting threshold and was adjusted in the audited annual report and accounts. The impact of this adjustment was to increase expenditure and accruals by this amount.
22. It is our responsibility to request that all errors are corrected although the final decision on this lies with those charged with governance taking into account advice from senior officers and materiality. All errors identified were adjusted by management.

Significant findings

23. International Standard on Auditing 260 (UK & Ireland) requires us to communicate to you significant findings from the audit. These are summarised in [Exhibit 3 \(page 9\)](#).

Exhibit 3

Significant findings from the audit of RVJB

Issue	Resolution
<p>1. Accruals</p> <p>As part of audit work an expenditure transaction relating to 2016/17 was identified which had not been accrued in the annual report and accounts. As a result, expenditure and accruals were understated by £2,279.</p>	<p>Management agreed to adjust for this error and expenditure and accruals both increased by £2,279.</p>

Going concern

- 24.** The financial statements of RVJB have been prepared on the going concern basis. No issues were identified with the assessment on going concern.

Other findings

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

Objections

- 26.** The Local Authority Accounts (Scotland) Regulations 2014 require a local government bodies to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. RVJB complied with the regulations.

Part 2

Financial management



Main judgements

Net expenditure outturn during the year was higher than budgeted which resulted in an increased use of reserves than originally planned.

RVJB has found it difficult to deliver services within budget over the last 4 years.

Savings have been delivered mainly through containing staff costs. This has been achieved through natural turnover, restructuring senior management structures and limited use of voluntary early retirement.

Financial performance in 2016/17

27. In January 2016 RVJB approved its budget for 2016/17. Total budget expenditure was £2.487 million and total budget income was £2.378 million. This resulted in a forecast deficit of £0.110 million which management planned to meet through the use of reserves.
28. Actual outturn for the year was total expenditure of £2.539 million and total income of £2.384 million. This resulted in a deficit of £0.155 million for the year which was £0.045 million higher than the budgeted figure.
29. The largest source of income was requisitions from members of the Joint Boards. This was £2.213 million in 2016/17, a reduction of £0.069 million from 2015/16 (£2.282 million), adding to the pressures on resources. Despite the budget pressures, the budget was aligned to RVJB's statutory objectives to ensure services were delivered.
30. Details of significant variances are summarised in [Exhibit 4 \(page 11\)](#). RVJB has found it difficult to deliver services within budget over the last 4 years. In 2014/15 there was a large surplus for the year due to income received from the Cabinet Office and Scottish Government for Individual Electoral Registration, Public Services Network and the Scottish Referendum against a breakeven forecast in the budget. However, in each of the other years there have been larger deficits than originally forecast in the budget which resulted in higher than planned use of reserves ([Exhibit 5 \(page 11\)](#)).
31. The deficit of £0.155 million reported in the Management Commentary is different to the deficit of £0.352 million reported in the Comprehensive Income and Expenditure Statement (CIES). This is due to accounting adjustments required for pension costs and the employee leave accrual. As the budget is prepared and monitored in this way, it is appropriate for it to be detailed in the Management Commentary in this way.

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

Exhibit 4

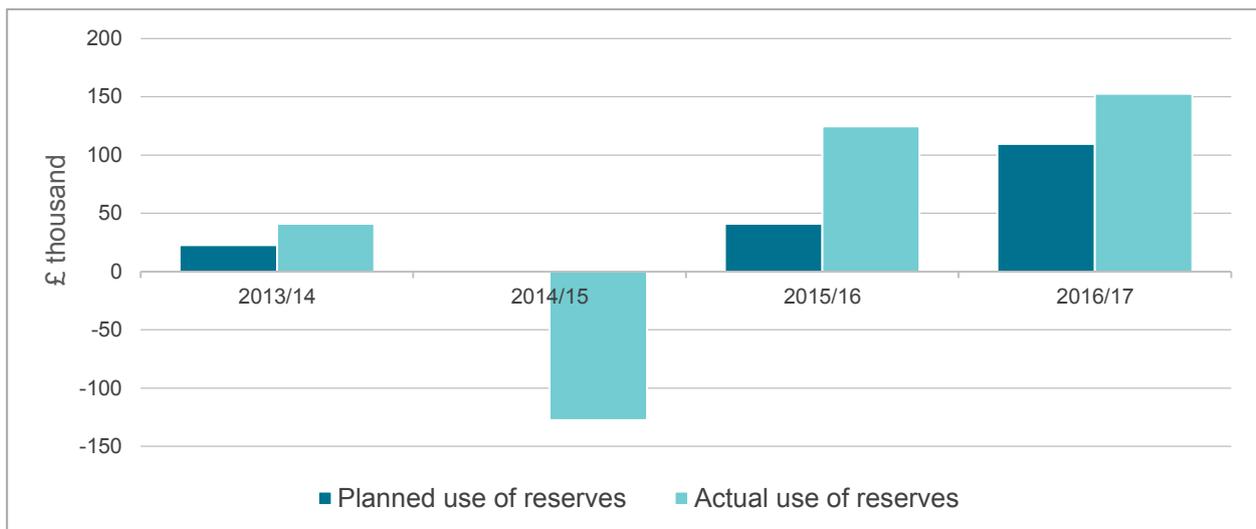
Summary of significant over and under spends/recovery against budget

Area	Under/over spend/recovery (£)	Reason(s) for variance
Underspends/over recovery		
Sales, Fees and Charges	£28,458	Due to income received for childcare vouchers and for the Westlaw subscription from other Joint Boards and valuation joint boards. Both are offset by increases in employee and administration costs respectively.
Overspends/under recovery		
Employee Costs	£45,918	Due to low staff turnover and higher than anticipated overtime.
Administration Costs	£23,489	Due to increases in postage costs and the Westlaw subscription outlined above.
Other Income	£22,146	Due to income reduction from the Cabinet Office to fund Individual Electoral Registration (IER).

Source: RVJB annual report and accounts 2016/17

Exhibit 5

Analysis of planned use of reserves against actual use of reserves



Source: RVJB annual report and accounts 2013/14 – 2016/17

Efficiency savings

32. With reduced requisition funding from the members of the Joint Board and continued pressures to deliver services, efficiency savings are an important means of bridging the gap between funding received and spending commitments.
33. Savings have been achieved in past years mainly through reductions in staff costs. These savings have been achieved by deleting posts of staff that have left, delaying the time taken to fill vacancies and through the use of voluntary exits. Savings have also been achieved through the closure of RVJB's Greenock office and the renegotiation of contracts to obtain more favourable terms.
34. The Assessor and Electoral Registration Officer (ERO) retired in May 2017 and was replaced by the Deputy Assessor and ERO. As part of the strategy to make savings the Deputy Assessor and ERO post has not been replaced. The responsibilities of the Deputy Assessor and ERO have been delegated to a number of staff. The deletion of this role is expected to generate savings of around £0.060 million per annum.
35. A report was presented to the Joint Board in August 2016 which highlighted staff numbers had reduced from 55 full time equivalents (FTE) in 2007 to 42 FTE at the date of the report, a reduction of 24 per cent. The report highlighted that staff numbers are now at a minimum level and further reductions to achieve savings will impact on future service delivery. Going forward alternative measures will be required to achieve savings if there is no increase in income.

Budgetary monitoring and control

36. The [*Local Government in Scotland: Financial overview 2015/16*](#) (November 2016) highlighted that the need for budgets and forecasts to reflect actual spending becomes increasingly important for local government bodies with decreasing (or low levels) of usable reserves to rely on. An analysis of reserves can be seen in Part 3 of the report.
37. We noted that RVJB's budget is aligned to its statutory objectives. Budgets are approved by the Joint Board and budget monitoring updates are provided at each meeting of the Joint Board. The budget monitoring updates provide details on variances against the budget and forecast year-end positions. This allows members and officers to take actions to address variances and address forecast over and under spends.
38. Detailed savings and budget pressure reports are also provided to the Joint Board throughout the year. These are less frequent than the budget monitoring updates but are important in providing details on the budgetary pressures and issues affecting RVJB. Where applicable, these reports incorporate scenario planning to highlight the different impact on outcomes.

Internal controls

39. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant for the production of the financial statements. Our objective is to gain assurance that RVJB has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.
40. The systems in place at RVJB are hosted by Renfrewshire Council and were assessed as part of the Renfrewshire Council audit. As part of the Renfrewshire Council audit we concluded that the key controls were operating effectively, although there were areas where improvements could be made.

Overall, no significant control weaknesses were identified which could affect the Council's, and by extension RVJB's, ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

Prevention and detection of fraud

- 41. We have responsibility for reviewing the arrangements put in place by management for the prevention and detection of fraud. We reviewed RVJB's arrangements including policies and codes of conduct for staff and elected members, whistleblowing, and fraud prevention.
- 42. Based on the evidence reviewed by us, we concluded that the RVJB has adequate arrangements in place for the prevention and detection of fraud.

National Fraud Initiative

- 43. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise coordinated by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or error.
- 44. RVJB does not participate in the NFI exercise. This was reported within the Action Plan in the 2015/16 Annual Audit Report. Due to the nature of operations the majority of expenditure incurred relates to staff costs and the majority of income received is from requisitions. These are low risk areas as requisition income is agreed by the members of the Joint Board and the payroll system is hosted and operated by Renfrewshire Council. This separates and minimises control and opportunities for fraud.
- 45. Renfrewshire Council participates in the NFI exercise and if any frauds are identified the improvements to systems would also impact on RVJB due to the use of Renfrewshire Council's financial systems.
- 46. While we recognise the reasons why RVJB does not currently participate in the NFI exercise, we would recommend RVJB and Renfrewshire Council discuss the possibility to participate in the NFI exercise in future.

Part 3

Financial sustainability



Main judgements

The Joint Board's financial position has been managed through planned use of reserves. However, declining reserves, rising demands, increasing costs and possible reductions to requisition income will continue to place a strain on the Joint Board's capacity to deliver the current level of service.

The level of useable reserves is forecast to fall to £0.193 million by the end of 2017/18. Management monitor the reserves position and it is recommended this continues to be reviewed to ensure there are sufficient funds to address ongoing demand on services.

Financial planning

47. It is important that long-term financial strategies (typically covering five to ten years) are in place which link spending to RVJB's strategies. Although members only approve the budget for a single year, this should be supported by indicative future spending plans (covering three years at least) that forecast the impact of relevant pressures on RVJB.
48. RVJB's budgets are prepared on an annual basis and do not include longer term strategies. The Accounts Commission recommended that when future Scottish Government funding is not known, bodies should plan for a range of scenarios so they are prepared for different levels of funding and income.
49. This was recommended in the 2015/16 Annual Audit Report. As part of audit work in 2016/17 we identified that scenario planning has been incorporated as part of savings proposals presented to the Joint Board. This allows members to understand the impact future developments could have on resources in the absence of longer term budget information.

Funding position

50. The Joint Board approved its 2017/18 budget in January 2017 with proposed total expenditure of £2.372 million. RVJB has decreased the requisitions from member authorities in 2017/18 by 2.5%, meaning that the requisition income for 2017/18 is £2.158 million.
51. Plans to address this gap include £0.096 million of other income and a transfer of £0.119 million from usable reserves.
52. RVJB is facing a number of challenges in maintaining a sustainable financial position in future. These include rising demands for services, increasing costs of services and possible reductions in requisition funding.

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.

Savings plans

53. A review of RVJB's budget information and financial projections for 2017/18 to 2019/20 highlight that the funding settlement for 2018/19 and beyond is uncertain. It is recognised that over the medium term the funding position of local government across Scotland is likely to involve a further period of contraction. The Joint Board anticipates that it will need to identify further recurrent savings from 2018/19. The Assessor will undertake a further review of the service provision in order to identify saving options.

Reserves

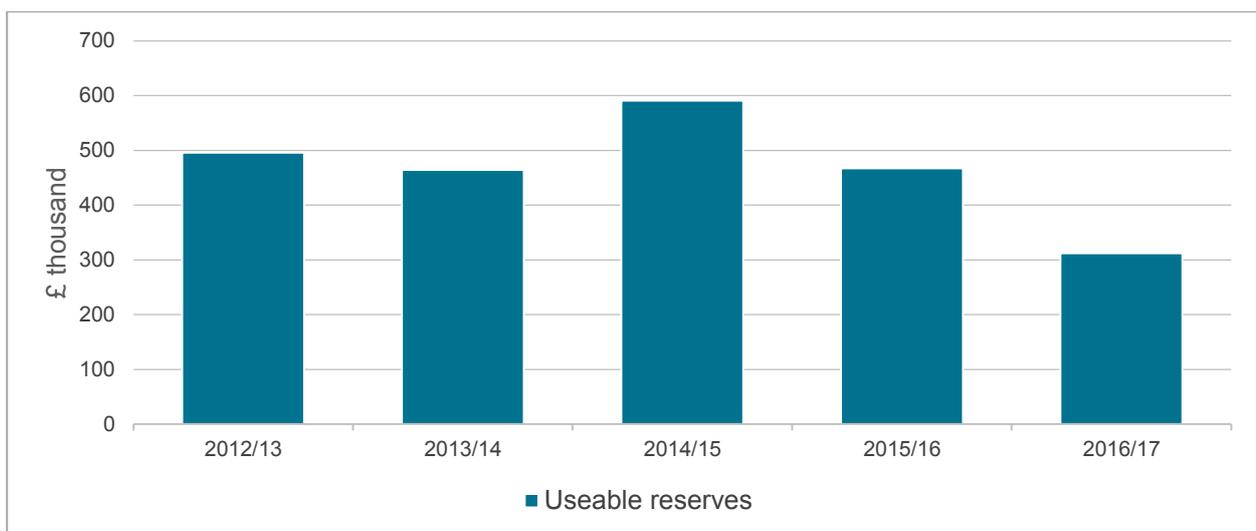
54. Like all joint boards, RVJB has no specific powers to retain reserves to meet future requirements and technically the amounts held are due to local authorities. These balances are used to support medium-term financial planning and address any unforeseen costs.

55. In 2016/17 the overall level of useable reserves held by RVJB decreased by £0.155 million (33 per cent). The closing balance of £0.312 million is 13 per cent of 2016/17 budgeted expenditure. Officers have assessed this as being a prudent level to protect against unforeseen costs.

56. [Exhibit 6 \(page 15\)](#) provides an analysis of useable reserves over the last five years. The usable reserves / balances due to member authorities' have reduced since 2014/15. Budget monitoring reports up to July 2017 forecast the level of usable reserves at the end of the 2017/18 financial year would be £0.193 million. This equates to 8 per cent of budgeted total expenditure in 2017/18 and is a significant decrease from 2016/17. The level of reserves is reviewed as part of the budget monitoring report which is reported at every board meeting. It is recommended that the balance held in reserves continues to be reviewed to ensure there are sufficient funds to address ongoing demand on services.

Exhibit 6

Analysis of useable reserves over last five years



Source: RVJB annual accounts and report 2012/13 – 2016/17

Workforce planning

57. Audit Scotland's *Local government in Scotland – performance and challenges 2017* report highlighted the need to plan and manage reductions to workforces. Failing to do this can affect the skills mix and ability of the organisation to deliver, manage and scrutinise services effectively.
58. The report advises local government bodies to have effective systems in place for managing their workforce and monitoring staffing levels, and that information should be aligned to other long-term plans such as financial plans.
59. As noted at paragraph 34 above the Joint Board's workforce (FTE) has fallen from 55 to 42 since 2007. The report highlighted that staff numbers are now at a minimum level and further reductions to achieve savings will impact on service delivery.

Part 4

Governance and transparency



Main Judgements

The Joint Board has appropriate governance arrangements in place to support the scrutiny of decision making. However, a number of policies and procedures require to be reviewed and updated.

The Joint Board is open and transparent in the way it conducts its business; the public can attend meetings and access agendas and meeting papers.

Internal audit reports are only reviewed by management and are not shared with members of the Joint Board. There is a risk that members are not fully aware of weaknesses identified in systems and processes.

Governance arrangements

60. Members and management of RVJB 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. We concluded that RVJB has effective governance arrangements which provide an appropriate framework for organisational decision-making.
61. Citizens should be able to hold RVJB to account about the services it provides. Transparency means that citizens have access to understandable, relevant and timely information about how RVJB is taking decisions and how it is using its resources. Overall we concluded that RVJB is open and transparent although there are some areas where practices could be improved.
62. As part of audit work we reviewed various governance policies and procedures (e.g. scheme of delegation, contract standing orders, etc.) and found a number of these had not been updated for a number of years. This raises the risk that policies and procedures are not adequate to ensure effective governance of RVJB's functions. In addition, there is a risk that members of the Joint Board and RVJB staff are not aware of the processes and procedures in place and this could result governance failures (e.g. fraud).

Appendix 1, Action Plan, point 1

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.

Management commentary, annual governance statement and remuneration report

63. The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 requires Joint Boards to prepare and publish, along with their financial statements, a management commentary, an annual governance statement and

a 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.

- 64.** 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

- 65.** Internal audit provides senior management and elected members with independent assurance on RVJB's overall risk management, internal control and corporate governance processes.
- 66.** The internal audit function is carried out by Renfrewshire Council's internal audit team. We carried out a review of the adequacy of Renfrewshire Council's internal audit function and concluded that it operates in accordance with the Public Sector Internal Audit Standards (PSIAS). However, there were areas where we identified recommendations for improvement.
- 67.** To avoid duplication, we place reliance on the work of internal audit wherever possible. In 2016/17 we did not place any formal reliance on internal audit reviews for the purpose of obtaining direct assurance for our financial statements work. However, we did review audit reports that were relevant to our work to help with our understanding of the systems and processes in place, but these will not be used to support our opinion on the annual report and accounts.
- 68.** From a review of board minutes it was identified that internal audit reports are not provided to members of the Joint Board. During the year internal audit carried out work on the Records Management Plan and the findings were only shared with management. The only information members receive on the work of internal audit is in the Internal Audit Annual Report. As a result members were considering the opinions given in the Internal Audit Annual Report without being aware of the work that was used to form the conclusions.

Appendix 1, Action Plan, point 2

ICT risks

- 69.** The 2015/16 Annual Audit Report reported on RVJB's Public Services Network (PSN) arrangements. The report highlighted RVJB had achieved re-accreditation and the next step was to achieve a separate connection from Renfrewshire Council. This raised the risk of service disruption while the connection was being separated. This was discussed with officers as during the audit and it was identified that Renfrewshire Council was unable to separate the connection in place. As a result there will be no impact on the delivery of services or any disruption.

Transparency

- 70.** Transparency means that the public, in particular local residents have access to understandable, relevant and timely information about how RVJB is taking decisions and how it is using resources such as money, people and assets.
- 71.** There is evidence from a number of sources which demonstrate RVJB's commitment to transparency. Members of the public can attend Joint Board meetings and minutes of the meetings and supporting papers are readily available through RVJB's website.

72. The Joint Board's website allows the public to access a wide range of information on corporate policies, targets and performance.
73. The Joint Board makes its annual accounts available on its website. These include a management commentary which provides details of performance against budget, information on the use of reserves and risks and uncertainties facing the Joint Board.
74. Overall, we concluded that the Joint Board conducts its business in an open and transparent manner.

Equalities

75. 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.
76. We reviewed the current equalities report published in April 2017 and concluded 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.
77. 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

Performance management information is reported at each Joint Board meeting.

Performance has deteriorated since 2015 with the 2017 revaluation exercise highlighted as a contributing factor.

Best Value

78. Best value is a key factor to consider when planning policies, programmes and projects and when taking any spending decisions. RVJB should have systems and processes to ensure that it can demonstrate that it is delivering best value by assessing and reporting on the economy, efficiency, effectiveness and equality in service provision.

Following the public pound

79. Local government bodies have a statutory responsibility to comply with the Accounts Commission / COSLA Code of Guidance on funding external bodies and following the public pound.

80. The Joint Board's financial regulations state that it will continuously strive to secure best value for money and economy, efficiency and effectiveness in their use of resources.

Performance management

81. The 2015/16 Annual Audit Report noted that

- RVJB has been working on significant projects over a number of years, including individual electoral registration (IER). Access to IER funding ended on 31 December 2015 and the challenge is now to move the IER project into standard part of RVJB's work
- a new service plan is being prepared and will be published later in the year.

82. IER has now been incorporated as business as usual. A total of £0.194 million funding was received from the Cabinet Office for IER in 2016/17. £0.135 million was utilised in year to match expenditure incurred as part of IER. The remaining £0.059 million was carried forward to utilise against expenditure incurred in 2017/18. While funding for IER was received in 2017/18, there is no certainty if or how much funding will be received in future years and therefore costs may need to be met through requisition income or reserves.

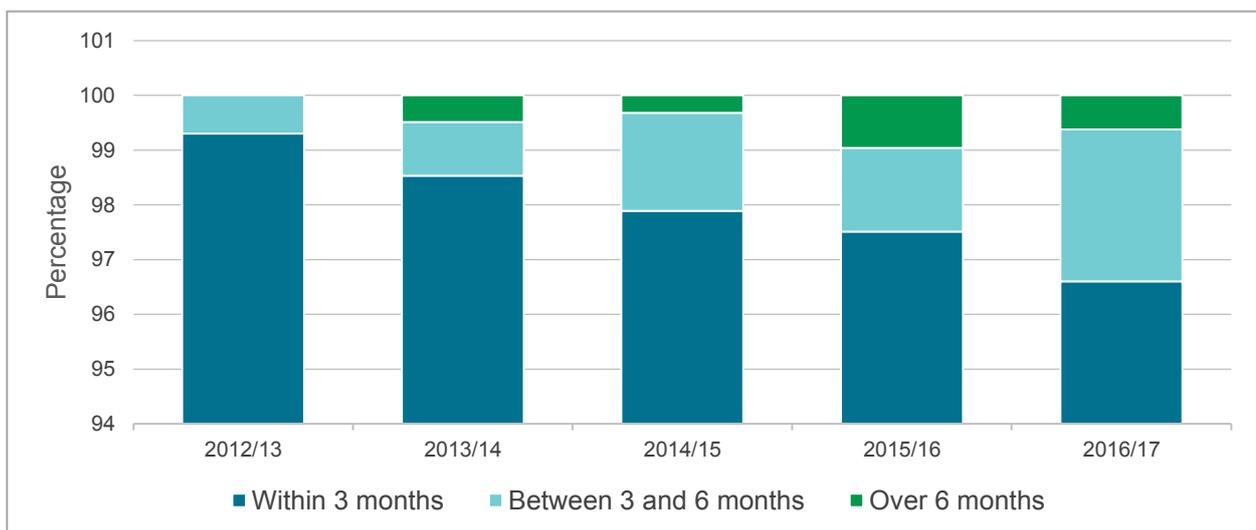
83. The new service plan was approved by the Joint Board in January 2017. We reviewed this as part of our audit work and concluded that the plan was clear and would allow RVJB to carry out its functions effectively.

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

- 84.** One of key tasks RVJB has been involved in during 2016/17 is in the preparation of the 2017 Non Domestic Rating Revaluation which came into effect on the 1 April 2017. Valuations were carried out on more than 10,350 non domestic properties as part of the exercise and all were completed in advance of the go live date.
- 85.** RVJB maintains an up to date valuation list by adding new houses and the deletion of demolished houses. [Exhibit 7 \(page 21\)](#) shows RVJB performance over the last five years. Performance has deteriorated over the last 5 years with a lower proportion of properties added within 3 months and the target for properties added within 6 months not being met. In 2016/17 the target of adding 95 per cent of properties within 3 months was achieved but the target of adding 99.5 per cent within 6 months was not achieved. We have been advised that the decline in performance over the last 2 years has been due to the additional workload from the revaluation exercise

Exhibit 7

Analysis of performance in adding new properties to Valuation List over last five years



Source: RVJB performance report from April 2016 to March 2017

- 86.** Performance reports are provided to members at each meeting. These reports are detailed and provide performance details on RVJB's functions.

National performance audit reports

- 87.** 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 are of direct interest to the Joint Board. These are outlined in [Appendix 3 \(page 26\)](#).
- 88.** The Divisional Assessor attends the Scottish Assessors Association Governance Committee where reports of interest (including relevant Audit Scotland reports) are discussed and information disseminated. Any key risks are then shared with the Joint Board.

Appendix 1

Action plan 2016/17

2016/17 recommendations for improvement

Page no.	Issue/risk	Recommendation	Agreed management action/responsible officer/timing
17 – para 62	<p>1. Governance policies and procedures</p> <p>A review of governance policies and procedures was carried out and a number of polices require to be updated. These include the:</p> <ul style="list-style-type: none"> • scheme of delegation • contract standing orders • financial regulations and financial codes • employee code of conduct. <p>Without up to date policies and procedures there is a risk that functions are not delivered effectively and failures in governance could occur.</p>	<p>It is recommended that these policies and procedures are reviewed and updated to reflect the current situation of RVJB.</p>	<p>Scheme of delegation:</p> <p>This will be raised at the next Governance Group meeting and amended as appropriate.</p> <p>Assessor and ERO</p> <p>31 March 2018</p> <p>Contract standing orders:</p> <p>Renfrewshire Council will liaise with RVJB regarding reviewing and updating the contract standing orders.</p> <p>Head of Corporate Governance</p> <p>31 March 2018</p> <p>Financial regulations and financial codes:</p> <p>This will be reviewed and updated as appropriate.</p> <p>Chief Auditor</p> <p>Date: 31 March 2018</p> <p>Employee code of conduct:</p> <p>Renfrewshire Council are reviewing the employee code of conduct. Once this has been finalised this can be forwarded to RVJB.</p> <p>Head of HR and OD</p> <p>31 March 2018</p>



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no.**

Issue/risk

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2. Internal Audit reporting

A review of minutes identified that internal audit reports are not provided to members of the Joint Board. As a result there is a risk that members are not aware of any weaknesses that have been identified and may not be able to make informed decisions.

It is recommended that management take internal audit reports to meeting of the Joint Board meetings to allow members to understand the findings of the work carried out.

Internal audit reports will now be taken to meetings of the Joint Board.

Assessor and ERO

31 March 2018

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>Our audit procedures did not uncover evidence of management override of controls.</p> <p>An error was identified as part of cut-off testing which has been amended in the financial statements.</p>
<p>2 Risk of fraud over income</p> <p>RVJB has a number of funding sources which includes income generation. The extent of income means that, in accordance with ISA 240, there is an inherent risk of fraud that requires an audit response.</p>	<p>Analytical procedures on income streams.</p> <p>Detailed testing of revenue transactions focusing on the areas of greatest risk.</p>	<p>Our audit procedures did not uncover any evidence of fraud over income.</p>
<p>3 Revised format of 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 structure of 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 errors in the structure of the CIES or MIRS and all account codes had been mapped across correctly.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>4 New expenditure and funding analysis</p> <p>The Code sets out a new requirement for an expenditure and funding analysis. This will provide a reconciliation of the statutory adjustments between RVJB's financial performance on a funding basis and the surplus or deficit on the 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 financial statements.</p>	<p>Detailed testing of expenditure and funding analysis.</p> <p>Review of prior year comparatives and restatements.</p> <p>Review of consistency between expenditure and funding analysis and information contained elsewhere within the annual accounts.</p>	<p>Our audit procedures did not identify any errors within the Expenditure Funding Analysis statement and all information was consistent with information contained elsewhere within the annual accounts.</p>
<p>5 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 governance statement and all disclosures required had been included.</p>
<p>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</p>		
<p>6 Financial sustainability</p> <p>Financial reports to members highlight uncertainties around future funding and increased pressure on available resources. It is likely 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>A review of budget monitoring reports and the financial statements highlight that higher than planned reserves were used in 2016/17. Further use of reserves is also expected in 2017/18. As a result savings will need to be made to ensure services are delivered within budget and to ensure an adequate level of reserves is maintained.</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*](#)

Renfrewshire Valuation Joint Board

2016/17 Annual Audit Report

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